

S. HRG. 112-28

**NOMINATION OF HEATHER A.
HIGGINBOTTOM, OF THE DISTRICT OF
COLUMBIA, TO BE THE DEPUTY DI-
RECTOR OF THE OFFICE OF MANAGE-
MENT AND BUDGET**

**HEARING & EXECUTIVE
MEETING**
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED TWELTH CONGRESS
FIRST SESSION

**March 17, 2011—NOMINATION OF HEATHER A. HIGGINBOTTOM, OF
THE DISTRICT OF COLUMBIA, TO BE THE DEPUTY DIRECTOR OF
THE OFFICE OF MANAGEMENT AND BUDGET**

**April 5, 2011—EXECUTIVE BUSINESS MEETING ON THE NOMINATION
OF HEATHER A. HIGGINBOTTOM, OF THE DISTRICT OF COLUM-
BIA, TO BE THE DEPUTY DIRECTOR OF THE OFFICE OF MANAGE-
MENT AND BUDGET**



Printed for the use of the Committee on the Budget

**NOMINATION OF HEATHER A. HIGGINBOTTOM, OF THE DISTRICT OF COLUMBIA,
TO BE THE DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET**

**NOMINATION OF HEATHER A.
HIGGINBOTTOM, OF THE DISTRICT OF
COLUMBIA, TO BE THE DEPUTY DI-
RECTOR OF THE OFFICE OF MANAGE-
MENT AND BUDGET**

**HEARING & EXECUTIVE
MEETING**
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED TWELTH CONGRESS
FIRST SESSION

**March 17, 2011—NOMINATION OF HEATHER A. HIGGINBOTTOM, OF
THE DISTRICT OF COLUMBIA, TO BE THE DEPUTY DIRECTOR OF
THE OFFICE OF MANAGEMENT AND BUDGET**

**April 5, 2011—EXECUTIVE BUSINESS MEETING ON THE NOMINATION
OF HEATHER A. HIGGINBOTTOM, OF THE DISTRICT OF COLUM-
BIA, TO BE THE DEPUTY DIRECTOR OF THE OFFICE OF MANAGE-
MENT AND BUDGET**



U.S. GOVERNMENT PRINTING OFFICE

66-824pdf

WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON THE BUDGET

KENT CONRAD, North Dakota, *Chairman*

PATTY MURRAY, Washington	JEFF SESSIONS, Alabama
RON WYDEN, Oregon	CHARLES E. GRASSLEY, Iowa
BILL NELSON, Florida	MICHAEL ENZI, Wyoming
DEBBIE STABENOW, Michigan	MIKE CRAPO, Idaho
BENJAMIN L. CARDIN, Maryland	JOHN ENSIGN, Nevada
BERNARD SANDERS, Vermont	JOHN CORNYN, Texas
SHELDON WHITEHOUSE, Rhode Island	LINDSEY O. GRAHAM, South Carolina
MARK R. WARNER, Virginia	JOHN THUNE, South Dakota
JEFF MERKLEY, Oregon	ROB PORTMAN, Ohio
MARK BEGICH, Alaska	PAT TOOMEY, Pennsylvania
CHRIS COONS, Delaware	RON JOHNSON, Wisconsin

MARY NAYLOR, *Majority Staff Director*
MARCUS PEACOCK, *Minority Staff Director*

CONTENTS

HEARING

	Page
March 17, 2011—Nomination of Heather A. Higginbottom, of the the District of Columbia, to be the Deputy Director of the Office of Management and Budget	1

STATEMENT BY COMMITTEE MEMBER

Chairman Kent Conrad	1
Ranking Member Sessions	12

MEMBER AND WITNESS STATEMENTS

John F. Kerry, A United States Senator from the State of Massachusetts	2
Heather A. Higginbottom, Nominee to be the Deputy Director of the Office of Management and Budget	16

ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD

Statement of Biographical and Financial Information Requested of Heather A. Higginbottom to be the Deputy Director of the Office of Management and Budget	27
Pre-hearing questions and responses	35
Post-hearing questions and responses	51

EXECUTIVE BUSINESS MEETING

April 5, 2011—Executive Business Meeting on the Nomination of Heather A. Higginbottom to be the Deputy Director of the Office of Management and Budget	61
Committee Votes	62

**NOMINATION OF HEATHER A.
HIGGINBOTTOM, OF THE DISTRICT OF CO-
LUMBIA, TO BE THE DEPUTY DIRECTOR OF
THE OFFICE OF MANAGEMENT AND BUDG-
ET**

THURSDAY, MARCH 17, 2011

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to notice, at 2:02 p.m., in room SD-608, Dirksen Senate Office Building, Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senators Conrad, Whitehouse, Begich, and Sessions.

Staff present: Mary Ann Naylor, Majority Staff Director; and Marcus Peacock, Minority Staff Director.

OPENING STATEMENT OF CHAIRMAN CONRAD

Chairman CONRAD. The hearing will come to order. Welcome to the Senate Budget Committee. Today we are considering the nomination of Heather Higginbottom to be Deputy Director of the Office of Management and Budget.

I understand Senator Kerry is coming and is on his way. We will allow him to make remarks when he arrives.

We are under a very tough time constraint today because of a series of things that are happening. There is a hearing that is on a sensitive matter that is going on right now, and I think Senator Kerry may actually have to leave here to go to that. There are also other negotiations that are going on this afternoon. And, of course, we are going to have votes on the CR this afternoon. So I hope that we are able to complete work on this nomination quickly.

Given the fiscal and economic challenges facing the Nation, it is important that the President has his complete budget team in place. And as capable as he is—and he is capable—Director Lew needs to have a Deputy Director to help handle the workload and manage the day-to-day operations of the Office of Management and Budget.

Ms. Higginbottom has served as Deputy Assistant to the President and Deputy Director of the Domestic Policy Council at the White House. She previously served as Policy Director for the Obama Presidential campaign and Legislative Director for Senator Kerry, among other positions. And there he is. Welcome, Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman.

Chairman CONRAD. I think I will suspend at that point because I know that you are expected at an important briefing as soon as you discharge your responsibilities here. So why don't you proceed? We are delighted to have you here in the Budget Committee.

STATEMENT OF THE HONORABLE JOHN F. KERRY, A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KERRY. Thanks very much, Mr. Chairman. I am delighted to be here. And thank you for interrupting and allowing me to go forward. And, Senator Sessions, it is a pleasure to be here with you. And I thank you both for the critical work that you are engaged in, and we obviously look forward to working with you on that.

Mr. Chairman, this is—you know, we use the words “privilege” and “pleasure” around here, but I have to find a new way to describe how that really is true on this occasion because Heather Higginbottom is very special, very capable, enormously impressive. I think you will find that in the course of your questions, which I certainly and I think she invites you to probe and have at it. I think you will sense her knowledge.

But, you know, for a lot of us who have—you served, both of you, with our late good friend Ted Kennedy, and I had the privilege over all the years I was here with him to see how he took such pride as he found these enormously qualified staff folks who went on to leave the Senate and serve in various administrations spanning decades. And he told me once it was not just that he took pleasure out of it, but it was good for the Senate, good for all of us involved in Government, to have people at the other end of Pennsylvania Avenue, and in all the departments that we work with and count on to deliver to our citizens, to have people there who understand not just the issues but also understand how Capitol Hill works and what the needs are of Senators on both sides of the aisle, who knows the inside and the outside of the process and the pressures that we all face as we wrestle with very tough issues. And knowing that—I know you know this, both of you—is often the difference between getting it right or getting it wrong or getting nothing done at all. And more often it is the voice at the other end of the line who, if they did not agree with us or at least understand where we are coming from, a lot of things would not happen.

So I now know what Ted Kennedy was talking about, why it made a difference to have people who have Hill experience. And I am particularly proud today to introduce Heather as the person both President Obama, who understands the tough choices he has to make, and Jack Lew, about whom I think everybody here would agree there are fewer people that we know who have more respect about budget issues than Jack Lew, about whom Heather is his choice to serve as his Deputy. That is a judgment he has made, and I think it is an important judgment.

Now, I say this, you know, about Heather because she did not just serve here and she did not just understand the Senate. She really excelled here. About 12 years have now gone by since she first came to work for me in the Senate. And, frankly, she stood out for her public policy expertise in that period of time, and I would say to you she is sort of the definition of a policy wonk. She

understands the policy. She understands the issues. And that is critical in trying to fashion a budget that saves money, balances the budget, reduces the deficit, but still tries to keep many of our obligations intact. She was adept, and I will tell you, I would not have made her my Legislative Director if I did not have confidence that she understood those things.

I was a deficit hawk. You may remember, Mr. Chairman, I came here as one of the first three Democrats to join with Fritz Hollings and Chris Dodd on Gramm-Rudman-Hollings, and it was heresy back then. And I worked together with you and others to try to get the balanced budget amendment. And Heather was central to all of that. She understands the choices we have to make. She did not come in here with a doctrinaire point of view about, you know, how we get things done.

In her first assignment, she worked with Senator Gordon Smith on education reform very effectively. Later she worked with Senator Santorum and his staff in what we did together on the Workplace Religious Freedom Act. And ultimately she worked on and helped develop my proposal for a constitutional line-item veto, which, I might add, is now almost word for word the same proposal circulating and has about 40 cosponsors in the Senate today.

So I saw her put aside ideology, I saw her attack waste, and I saw her do tough-minded budget reforms that were necessary. And she worked with me, Mr. Chairman, through seven budget cycles, and through it all I saw someone who knows how to look at the budget with a pretty critical eye.

Now, she also has experience nationally in her experience in the White House in the last 2 years, which, incidentally, is part of what gives the President and Jack Lew the confidence to nominate her for this job at a tough time when they know they have got a tough job ahead of them. She has worked with Governors; she has worked with legislators; she has worked with mayors and Members of Congress. And she has learned how to balance looking at the budget and seeing the bottom line, but also seeing the people who are involved in these choices and understanding the programs themselves: health care, technology, poverty, education, infrastructure. She knows about all of them, and I think she will look at every single one of those priorities and ask whether they are working, whether the American taxpayer is getting their due. And I do not think Jack Lew could have chosen a stronger or more competent Deputy.

Now, when he announced Heather's nomination, he said that she was known for "dedication to sound public policy that makes a difference in people's lives." And, again, I think both the Chair and the Ranking Member would agree, this is a guy speaking who spent 7 years at OMB previously and 7 budgets in the Clinton administration, and we balanced the budget. We also had to turn deficits into surpluses, which is the challenge today. And if he has confidence in Heather, I think we should respect that together with the experience that she brings to the table here in the Senate.

Now, another person who understands the ins and outs of this is the Senator from Ohio, Senator Rob Portman, and he was President Bush's last OMB Director. And what did he say about Heather at the first hearing she had? He said, "One of the things that

underscores our qualifications is she helps to put the 'M' back into OMB." It is the question of management that we also need to think about here. And in the 9 years that she worked for me, I knew her as an effective, tough manager who knew how to get the best out of the staff, knew how to direct things, knew how to make things happen on time, knew how to set objectives and goals, and followup on them. And I never, I do not think once ever had to say, "Why isn't this done?" or "Why aren't we moving on this?" She was always ahead of me, and she always gave her staff and other people the credit for doing it. So I think she is a leader, and I think she is prepared to take this on.

Now, a couple of reservations I have heard from the previous hearing, some people have said—you know, it is amazing to me they ask this, but some question her age. But, look, it is not the age you measure; it is the experience you measure. You know, it is not how old you are; it is how smart you are and how capable you are. And the fact is that her age is zero departure from those who have done this job before, and even those here in the Senate who are charged with writing and voting on the budget, making the decisions. And I know a lot about that. I came here when I was 40 years old, and, you know, two Republican freshman Senators now, Senator Rubio and Senator Lee, are just a few months older than Heather. They are going to be making the same decisions, and they have had less experience up here with the budget and with the process, obviously, than she has.

So I am confident that, you know, if you just add Peter Orszag to that list, he was unanimously confirmed as the Director of the Office of Management and Budget in 2009 at the ripe old age of 41 during the most serious fiscal crisis since the Great Depression. And Jack Lew was first confirmed as OMB Director during the Clinton administration back in 1998 at age 42, and his efforts, as I said, are legendary now. We know what he accomplished.

So, Mr. Chairman and Mr. Ranking Member, Senator Sessions, I know that if you probe and look at this objectively, you will see that as she answers the questions, as you get to know her, you are going to find somebody who, as I have said, is smart and skilled and knowledgeable and not doctrinaire and not ideological, who is going to be practical and look at these issues in the way that she does. I am grateful that the 2 years in the West Wing have not dampened her desire to go take on a tough job and to be involved in this. So I am confident. Her roots are in the Senate. She will be responsive to all of us, and that, too, is the reason why I am very proud to recommend her swift confirmation as Deputy Director of the Office of Management and Budget.

Chairman CONRAD. Thank you, Senator Kerry. That was a ringing endorsement and I think clearly heartfelt. You have confidence in her. I know Jack Lew does because Jack Lew called me yesterday and said, "This is a choice I made." There are very few people I have higher regard for than Jack Lew. Jack Lew was in charge of the Office of Management and Budget the last time we balanced the budget, and not only balanced it but quit using Social Security money to fund the general operations of the Government. So he has got real credibility with me. And when he calls me and tells me

that Heather Higginbottom is his choice and gives me very clear reasons as to why, I put a lot of stock in that.

Obviously, I put a lot of stock, when my colleague Senator Kerry, who has been a very strong ally of those who want to change the fiscal course for the country, tells me that this person has served him well and he has full confidence in her ability to discharge the responsibilities of this job. That makes an impression on me because I know the good judgment that John Kerry has brought to his responsibilities here.

So we thank you, Senator Kerry. I know that that other briefing is now underway, and I know that you are expected to be there in your role as Chairman of the Foreign Relations Committee. So we will excuse you at this point and hope that we are able to join you at that briefing later.

Senator KERRY. Thank you, Mr. Chairman. I really appreciate your courtesies, both of you. Thank you.

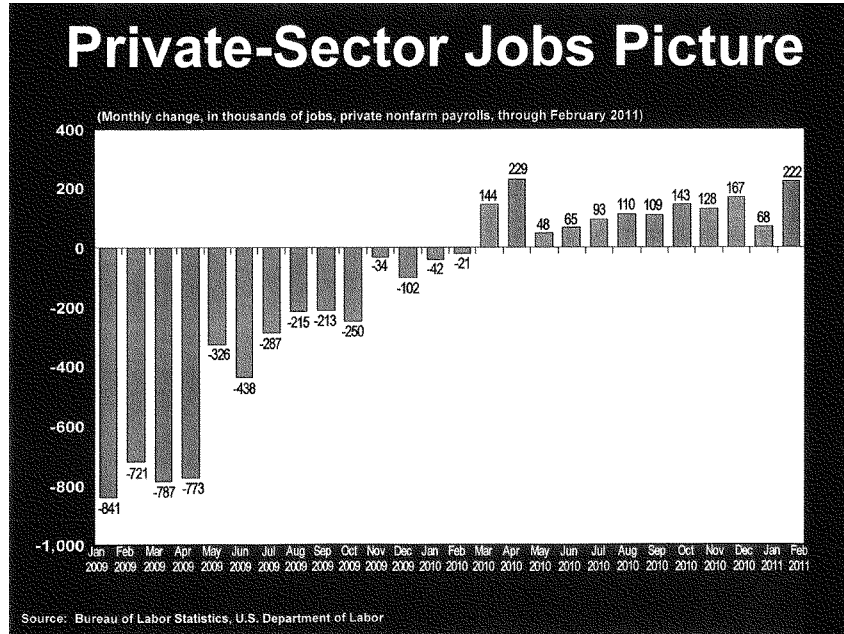
Chairman CONRAD. Thank you.

I think we have heard that Ms. Higginbottom brings a broad knowledge of Federal policy and the operations of the Government with her. I am also pleased that she is a former member of the Senate family because my experience is that that matters in terms of responsiveness and the ability to communicate. So I look forward to hearing more from her on her background and her goals for OMB.

As I have indicated, I know that Director Lew made this decision and chose this person because of the very special needs that he has in the agency. Several of our recent hearings have focused on the long-term budget crisis, so I want to begin today on a slightly different note by reviewing our current economic situation.

I think it is important to remember how much the economy has improved over the last 2 years. I believe that it is clear that the Federal response to the recession and the financial crisis, including actions taken by both the Bush administration and the Obama administration, has successfully pulled the economy back from the brink. And I believe that deeply. I believe that history will record that that is indeed what has happened.

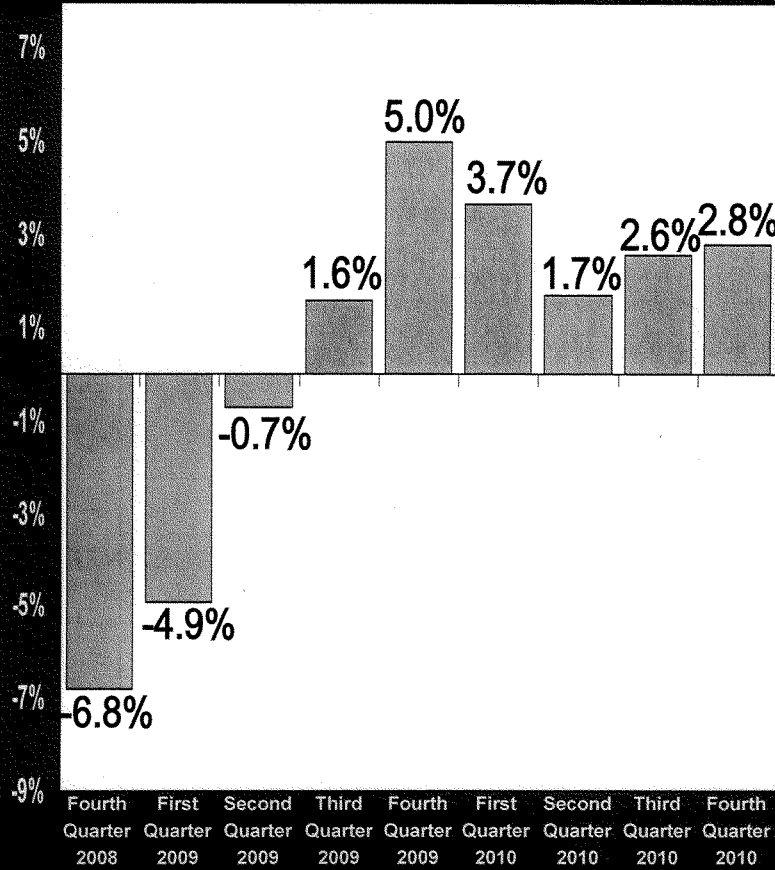
Although we do not have the recovery running at the level of strength we would like, nonetheless we see a clear turnaround. In January of 2009, the economy was losing more than 800,000 private sector jobs a month. Private sector job growth returned in March of 2010, and now we have had 12 consecutive months of growth. Just last month, the economy gained 220,000 private sector jobs. Obviously, unemployment remains too high, but the turnaround in private sector job growth we have experienced is significant.



The next slide, if we can. Economic growth has also returned. In the fourth quarter of 2008, at the end of the Bush administration, the economy contracted by 6.8 percent. It was going full speed in reverse. Positive economic growth returned in the third quarter of 2009, and we have now six consecutive corridors of growth. In the fourth quarter of 2010, we saw positive growth of 2.8 percent. And although credit is still tight for many small businesses, the crisis in the credit markets has subsided.

Economic Performance

(Percent growth of real GDP, annual rate)

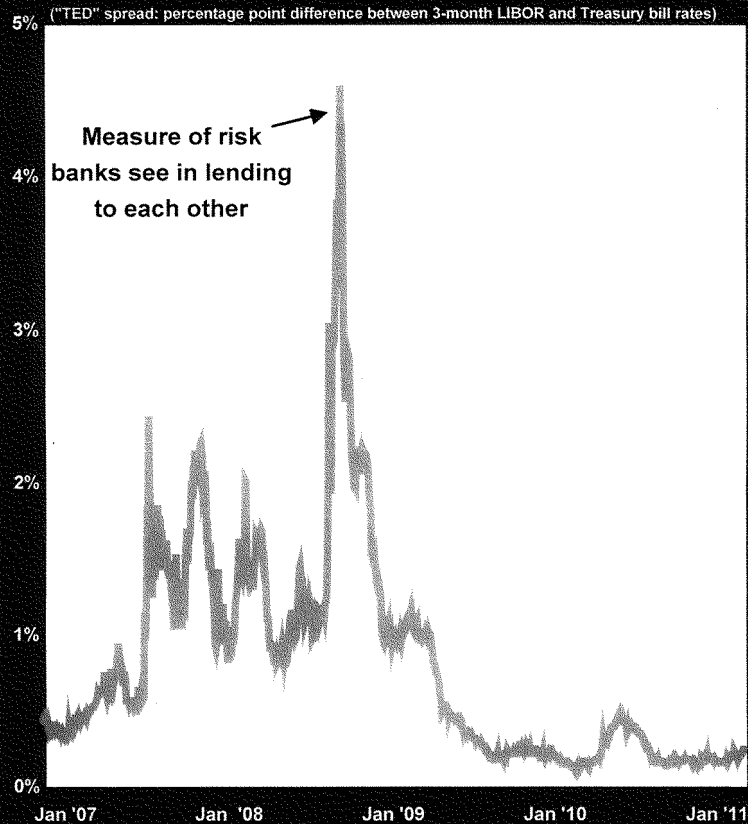


Source: Bureau of Economic Analysis, U.S. Department of Commerce

This chart shows what is known as the TED spread. It is essentially a measure of the risk that banks see in lending to each other. You can see at the height of the economic crisis, in the fall of 2008, the TED spread went through the roof. Banks were largely unwilling to lend to each other. That spread has now returned to normal levels.

Credit Markets Were Frozen

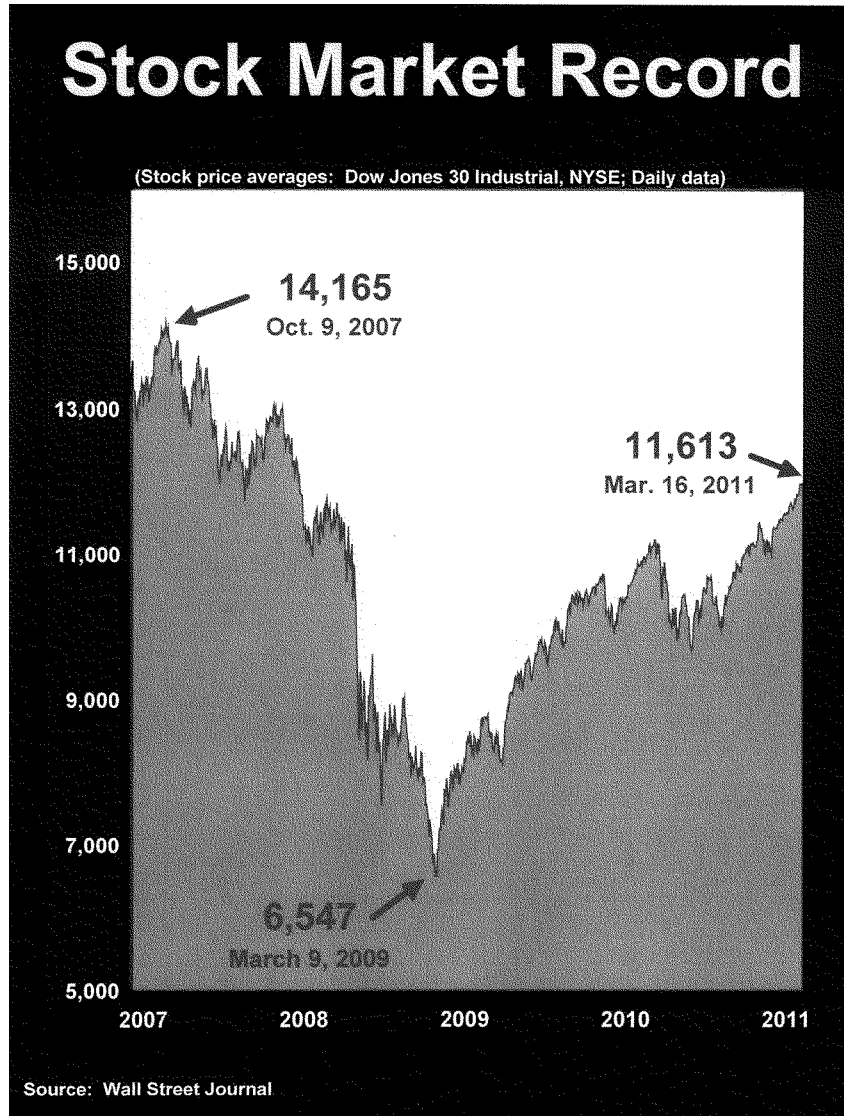
Banks Were Unwilling to Lend to Each Other



Sources: London Interbank Offered Rate (LIBOR) from the British Bankers' Association and Treasury bill rate from the Federal Reserve Board.
Note: Daily data through March 11, 2011.

In fact, at the height of the crisis, the TED spread was 9 times the normal level. In fact, it was one of the first tip-offs that we had that something very serious was occurring.

We have also seen a dramatic rebound in the stock market. After falling to a low of 6,500 in March of 2009, the Dow has now risen back up to above 11,000.



Two highly respected economists—Dr. Alan Blinder and Dr. Mark Zandi—completed a study last summer that measured the impact of Federal actions to shore up the economy, including both what the Federal Reserve has done as well as the fiscal policy actions taken by the Bush administration and the Obama administration. They looked at the effect of TARP and the stimulus.

Here is a quote from their report. “We find”—referencing the actions of the Federal Government—“that its effects on real GDP, jobs, and inflation are huge and probably averted what could have been Great Depression 2.0. When all is said and done, the financial and fiscal policies will have cost taxpayers a substantial sum, but

not nearly as much as most had feared and not nearly as much as if policymakers had not acted at all. If the comprehensive policy responses saved the economy from another depression, as we estimate, they were well worth their cost.”

Economists Blinder and Zandi on Federal Government Response to Financial Crisis and Recession

“We find that its effects on real GDP, jobs, and inflation are huge, and probably averted what could have been called Great Depression 2.0.

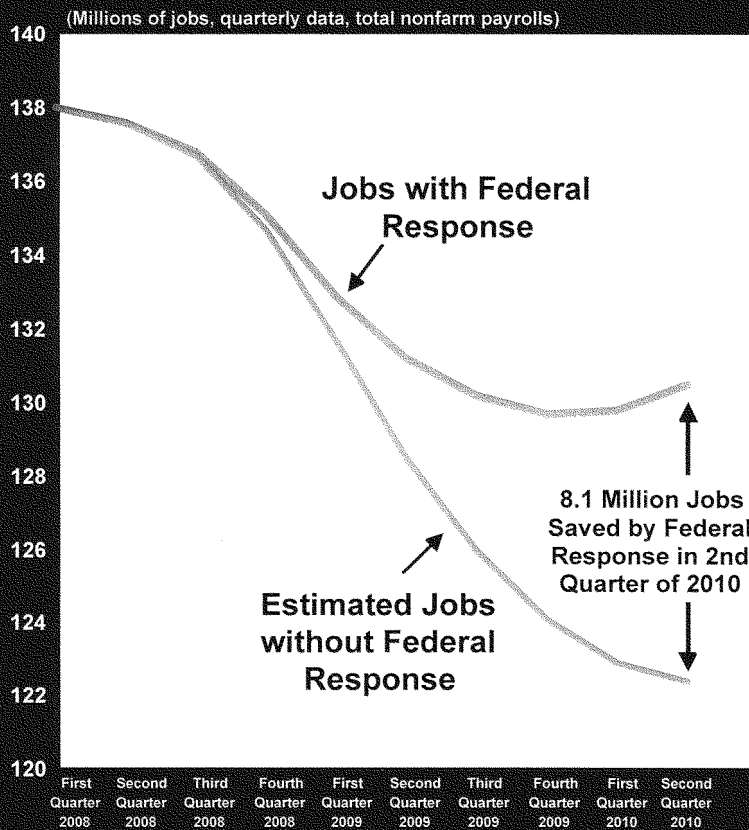
“...When all is said and done, the financial and fiscal policies will have cost taxpayers a substantial sum, but not nearly as much as most had feared and not nearly as much as if policymakers had not acted at all. If the comprehensive policy responses saved the economy from another depression, as we estimate, they were well worth their cost.”

**– Alan S. Blinder and Mark Zandi
How the Great Recession Was Brought to an End
July 27, 2010**

It is worth noting that this was not a partisan-driven conclusion. Dr. Zandi was an economic adviser to the McCain Presidential campaign.

This chart shows that Dr. Blinder and Dr. Zandi’s estimate of the number of jobs we would have had without the Federal response would have been substantially less. It shows we would have had 8.1 million fewer jobs in the second quarter of 2010 if we had not had the Federal response—the TARP and the stimulus. In fact, they say unemployment today, absent the Federal response, would be 15 percent. So I think it is clear that the actions taken at the end of the Bush administration and during the Obama administration played a critical role in helping to avert a financial crisis far worse than any we have seen since the Great Depression. I think those policies have been about right in the near term, and the steady economic recovery we have experienced demonstrates that.

Jobs Picture: With and Without Federal Response to Financial Crisis and Recession



Sources: U.S. Department of Labor; Alan S. Blinder and Mark Zandi, *How the Great Recession Was Brought to an End*, July 27, 2010

Where I have taken issue with the administration is on the longer term. I believe deeply that we must do more than what the administration has so far proposed to address the long-term fiscal challenge this country confronts. We are borrowing 40 cents of every dollar we spend. We cannot do that much longer. We are headed for a circumstance in which we will be adding \$1 trillion to the gross debt of this country every year for the next 10 years. That cannot be our fiscal future.

That is why I believe we need a bipartisan, compromise debt reduction plan of the size and scope proposed by the President's own

Fiscal Commission. The Fiscal Commission took a balanced approach that included every part of the Federal budget—mandatory spending, domestic spending, defense spending, and, yes, the revenue side—and came up with a plan to reduce the debt \$4 trillion over the next 10 years.

I am going to stop there because of the time constraints that we are under and ask Senator Sessions for his opening remarks. Then we will go to the witness for her comments, and then we will go to questions.

I again thank Senator Sessions for accommodating this afternoon's scheduling of a hearing given all of the other things that are occurring in the Senate today. Senator Sessions.

OPENING STATEMENT OF SENATOR SESSIONS

Senator SESSIONS. Thank you, Mr. Chairman.

I join our Chairman in welcoming you to the Committee today, Ms. Higginbottom, and we appreciate you, and Legislative Director is an important thing in a Senate office, and I am sure Senator Kerry has confidence in you in policy and Senate matters, or he would not have appointed you to it. But I do not understand that during that period of time you had direct responsibility over budget issues, nor was the Senator on the Budget Committee, I do not think, during that time.

But you have been nominated for a critical position at a critical agency at a critical time. It just is. Right now we are on a dangerous path. We are borrowing 40 cents of every dollar. Our deficit this year is projected to be \$1.65 trillion, the largest ever by any Nation in the world, and certainly the largest in our country. The amount of money we owe will be greater than the value of everything we produce in our economy.

This crushing debt burdens growth. It undermines economic confidence and threatens our Nation with a severe debt crisis. We have been told that repeatedly. A study from economists Reinhart and Rogoff explained that when a Nation's debt-to-GDP exceeds 90 percent, GDP growth each year is a percentage point lower than it otherwise would have been. And when that growth is 2 percent, 2.5 percent, a 1-percent reduction is very significant. Our debt is now over 90 percent and will reach 100 percent by September 30th. That means we could already be losing a million jobs a year as a result of 1-percent GDP loss.

Week after week experts have testified before this Committee to sound the alarm. The co-chairs of the Deficit Commission, Erskine Bowles and Alan Simpson, declared that if the United States failed to curb our growing debt, the country would face "the most predictable economic crisis in its history."

Echoing Alan Greenspan, they said that such an event could occur relatively soon, in just 1 or 2 years—their testimony, not mine—if we do not take significant action. The effects of an event like that would be felt most severely by everyday working Americans and could easily be greater—we hope not—than the last financial crisis that we had. But even any kind of knocking us down into another recession would be damaging to this fragile growth path that we hope we can stay on.

Given these dangers, you can understand my concern that the President and Budget Director Lew, your potential boss, have presented the President's budget as practically solving this situation. Both have said this budget allows us to live within our means, spend only what we take in, and begin paying down the debt. That is their words, the President's words, Mr. Lew's words. And I think to some degree you affirmed that in a previous hearing.

Simply put, these claims are detached from reality, and they undermine efforts to tackle our growing debt danger. If a CEO made these statements to investors that his company was living within its means and paying down its debt and asked them to invest and people later found out that they were running massive deficits, do you think he would not be subject to liability?

To confront these challenges, we need leadership and candor from the White House and from OMB. Sadly, both have been lacking. The President has yet to look the American people in the eye and explain the basic fact that we have run out of money and can no longer sustain this bloated Federal budget. Instead, he presents a budget that doubles our gross national debt in 10 years and increases spending year after year. And I am certain that tomorrow when CBO issues its analysis of the President's plan, they will confirm that it contains hundreds of billions more in spending and debt than your OMB report has suggested—or the OMB report.

So we need honest budgeting. We have got to have that, facts-based budgeting, not fantasy budgeting. Your testimony today, I hope, will not repeat the spin that we have seen from the White House so far. I cannot support any nominee to this position, especially in such a time as this, who is unable to discuss the budget with clarity and candor. There are some matters on which we can agree to disagree, of course. There will be some disagreements. But facts are facts, and there can be no debating that the President's budget does not live within our means.

I must admit I also have concerns about your lack of experience. On average, nominees for your post have had 6 or 7 years of professional experience in budget and finance. Many have had much more than that. You concede you do not have such a background. I will be interested to hear your explanation as to what qualifies you for the post and will keep an open mind on that.

Our financial challenges are immense, but I am optimistic about the future. I know we can meet the challenges that are before us and put this country on the path to prosperity. We have got to get off the road of spending and borrowing and get on the road to a lean and productive Government that allows the private sector to grow and thrive. We need to reform our Tax Code that penalizes productivity, unlock domestic energy sources, keep energy prices down, remove the cloud of debt that is pulling down growth in our economy.

America occupies an exceptional place in the history of the world, but if we continue down this path of spending and borrowing recklessly, we will leave America weakened and diminished. But if we rise to the challenge today, we will be stronger now and stronger tomorrow.

Thank you, Mr. Chairman.

Chairman CONRAD. Thank you, Senator.

Under the rules of the Committee, the nominee is required to testify under oath, so at this point, if you will rise, I would like to swear you in. Do you swear that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Ms. HIGGINBOTTOM. I do.

Chairman CONRAD. If asked to do so and if given reasonable notice, will you agree to appear before this Committee in the future and answer any questions that members of this Committee might have?

Ms. HIGGINBOTTOM. Yes.

Chairman CONRAD. I thank you for that. Please be seated. Welcome to the Senate Budget Committee and please proceed with your testimony.

TESTIMONY OF HEATHER A. HIGGINBOTTOM, NOMINEE TO BE DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Ms. HIGGINBOTTOM. Thank you, Mr. Chairman, Ranking Member Sessions, members of the Committee. I am honored to come before you as President Obama's nominee to be Deputy Director of the Office of Management and Budget. I would like to thank Senator Kerry for taking time from his very busy schedule to introduce me to the Committee today. As he mentioned, for over 7 years I had the privilege of serving in many capacities for Senator Kerry, and in many ways what I have learned about public service and Government I learned in this body and I learned from him. I am grateful for that, and I am confident that I would not be before the Committee today without the opportunities that that experience afforded me.

I am also deeply grateful to President Obama not just for nominating me for the position, but also for the tremendous opportunity that he gave me when I joined his campaign as Policy Director over 4 years ago. Over the course of the campaign and for the past 2 years in the White House, I have had opportunities to contribute to the Nation in ways I never could have dreamed of.

Mr. Chairman, the serious fiscal challenges facing the country make this an extraordinarily important and humbling time to be nominated to join the Office of Management and Budget. We have only recently turned the tide on the worst economic downturn in a generation, and once again the economy is growing and the private sector is creating jobs.

The policies deployed to rescue the economy necessarily added to this deficit in the short term. As the economy strengthens, it is time to make the tough choices necessary to place the country on a responsible fiscal path and focus on our long-term challenges. This means cutting where we can, making the investments necessary to foster continued growth and job creation, and for our long-term competitiveness. It also means managing the resources of the Federal Government in a way that gets the most from every taxpayer dollar, cuts waste, boosts efficiency and effectiveness, and gives all Americans the means to see how their money is being spent and to hold their Government accountable for its actions.

The President's budget is an articulation of his agenda, which requires making choices among competing interests within the con-

straints of a recovering economy and with the best interest of the taxpayer in mind. In each position I have held, as Senator Kerry's Legislative Director, managing policy in two Presidential campaigns, and for 2 years in the White House Domestic Policy Council, I have worked on a wide range of areas from economic policy to national security to domestic policy, and I have had to work through the budgetary implications of each. I have guided processes that made choices about what we could afford, what programs and initiatives were the most cost-effective and how to implement them.

If I am fortunate enough to be confirmed, I will bring this experience developing policy within our budgetary constraints to OMB in the Deputy Director role.

If confirmed, I will work closely with the Director, Jack Lew, and the Deputy Director for Management and Chief Performance Officer, Jeffrey Zients, to help our Government run as efficiently and effectively as possible. I also look forward to working with all of you on this shared goal, if confirmed.

I thank you for your consideration, and I would be happy to answer any questions.

[The prepared statement of Ms. Higginbottom follows:]

**Statement of Heather A. Higginbottom
Nominee to Serve As
Deputy Director of the Office of Management and Budget
Before the Budget Committee
United States Senate
March 17, 2011**

Mr. Chairman, Ranking Member Sessions, and Members of the Committee, I am honored to come before you as President Obama's nominee to be Deputy Director of the Office of Management and Budget.

I would like to thank Senator Kerry for taking time from his busy schedule to introduce me to the Committee. For over seven years, I had the privilege of serving in several capacities for Senator Kerry; and in many ways, what I have learned about public service and government I learned in this body working for him. I am grateful for that, and I am confident I would not be before the Committee today without the opportunities those experiences afforded me.

I am also deeply grateful to President Obama, not just for nominating me for this position, but also for the tremendous opportunity he gave me when I joined his campaign as policy director four years ago. Over the course of the campaign and for the past two years in the White House, I have had opportunities to contribute to the nation in ways I could never have dreamed of.

Mr. Chairman, the serious fiscal challenges facing the country make this an extraordinarily important and humbling time to be nominated to join the Office of Management and Budget. We have only recently turned the tide on the worst economic downturn in a generation and once again the economy is growing and the private sector is creating jobs. The policies deployed to rescue the economy necessarily added to this deficit in the short-term. As the economy strengthens, it is time to make the tough choices necessary to place the country on a responsible fiscal path and focus on our long-term challenges. This means cutting where we can and making the investments necessary to foster continued economic growth and job creation for our long-term global competitiveness. It also means managing the resources of the Federal Government in a way that gets the most from every taxpayer dollar, cuts waste, boosts efficiency and effectiveness, and gives all Americans the means to see how their money is being spent and to hold their government accountable for its actions.

The President's budget is an articulation of his agenda, which requires making choices among competing interests, within the constraints of a recovering economy, and with the best interest of the taxpayer in mind. In each position that I have held - as Legislative Director in Senator Kerry's office, managing policy for two presidential campaigns, and for two years in the White House Domestic Policy Council - I have worked on a wide range of areas, from economic policy to national security to domestic policy, and I have had to work through the budgetary implications of each. I have guided processes that made choices about what we could afford, what programs and initiatives were the most cost-effective, and how to implement them. If I am fortunate enough to be confirmed, I will bring this experience developing policy within our budgetary constraints to OMB and the Deputy Director role.

If confirmed, I will work closely with the Director, Jack Lew, and the Deputy Director for Management and Chief Performance Officer, Jeffrey Zients, to help our government run as efficiently and effectively as possible. And I also look forward to working with all of you on this shared goal.

Thank you for your consideration today. I would be pleased to address any questions you may have.

Chairman CONRAD. Thank you. Thank you for that statement, and thanks for your willingness to serve. Thanks for your prior service both in the Senate and in the White House.

I would like to begin by asking you about your service to Senator Kerry as his Legislative Director. In that position were you involved in overseeing his work on budget issues and budget concerns?

Ms. HIGGINBOTTOM. In the role of Legislative Director for Senator Kerry, I had responsibility for managing his entire legislative agenda. That included the development of his proposals, his work relating to the budget, as well as his appropriations work. As I developed various policy proposals and managed that process, we worked through the cost implications and how to pay for those proposals in addition to the budget and appropriations work.

Chairman CONRAD. I can just say, my Legislative Director has been with me now almost 20 years, is involved in every serious deliberation that involves my responsibility on this committee. I think that is typically the way it is done here, that a Legislative Director is involved in all of the major issues that a Senator is involved in.

Let me ask you, with respect to your positions at the White House as Deputy Assistant to the President and Deputy Director of the Domestic Policy Council, I am much less familiar with how the Domestic Policy Council functions, but I would ask you, were you involved in budget issues there as the Deputy Director?

Ms. HIGGINBOTTOM. Yes. For the past 2 years, as a member of the Domestic Policy Council and a senior member there, we worked very, very closely with OMB in the development of the President's budget, specifically on the domestic agenda. We worked on the education reforms and many of the proposals from the very first days of the administration.

Chairman CONRAD. And Director Lew tells me that he personally selected you to be his Deputy, is that your understanding?

Ms. HIGGINBOTTOM. Yes, that is my understanding.

Chairman CONRAD. And can you tell us why you think Director Lew thought you would be especially valuable to him?

Ms. HIGGINBOTTOM. Yes. When I spoke to the Director about this position, this opportunity, he explained that there were essentially three major functions that he would expect a deputy to perform. The first would be working closely with him to develop the President's annual budget. The second is internal management of OMB. And the third is to lead and coordinate OMB's participation in the policy-making process, both in the Executive Office of the President as well as with the agencies. It is very important that OMB's equities and sensibilities are part of those conversations and that is part of the experience that he thought I would contribute to.

He knows that the experience that I have had throughout over a decade working in different policy positions in the legislative and the executive branch have given me a breadth of experience on policy that is suitable to the task at OMB, which is to work to assemble the President's budget, and in those varied experiences I have had the opportunity to make tradeoffs and decisions and choices about what we need to do, what we need to propose, and how to pay for it.

Chairman CONRAD. I would just say, I have now looked at previous Deputies and their backgrounds. Mr. McMillin served from July of 2006 to January of 2009. He had been an advisor to the

White House Chief of Staff. He had been on the Senate Banking Committee staff.

Mr. Kaplan, who served as OMB Deputy Director, had been Special Assistant to the President, much as you have been, in the Office of the Chief of Staff and had been a policy advisor to the Bush-Cheney campaign, just as you were an advisor to the Obama campaign, and before that had been actually a law clerk for Justices at the Supreme Court.

And Nancy Dorn, who was a previous Deputy Director, had worked in legislative affairs for Vice President Cheney, was a defense and foreign policy advisor to Speaker Hastert, had been a lobbyist here in Washington and a member of the Inter-American Bank Foundation and an Assistant Secretary of the Army.

So it is interesting, really, how close your background matches the backgrounds of three previous Deputy Directors of the Office of Management and Budget.

We have just been advised that votes may start as early as 2:45, so I am going to cut my questioning short. We will do 7-minute rounds. We will go to Senator Sessions and then Senator Whitehouse and whatever other members appear.

Senator Sessions?

Senator SESSIONS. Thank you, Mr. Chairman.

Ms. Higginbottom, let me first ask you, you would agree, I am sure, that OMB must be honest with the American people and honest with Congress when it produces its reports and its analysis and its statements that it makes publicly, would you not?

Ms. HIGGINBOTTOM. Yes, I would.

Senator SESSIONS. Let me ask you this. Maybe we can ask you to look at this chart. Your Director, Mr. Lew, has used the same phrase. This happens to be President Obama's statement. "We will not be adding more to the debt." He is referring to this budget, the one that he has submitted to us, and he has stated to the American people, and Mr. Lew has stated to the American people, that we will not be adding more to the debt. Is that a correct statement or not?

Ms. HIGGINBOTTOM. What both the Director and the President are referring to is the idea——

Senator SESSIONS. No, I ask you, heard by the American people, fairly heard by the American people, is that a true statement or not?

Ms. HIGGINBOTTOM. I cannot express how the American people would hear that. What I can say is that, of course, the interest payments on the debt will add to the debt. The point that both the President and the Director have made is that this budget takes steps——

Senator SESSIONS. I do not know what you are talking about, interest payment will be added to the debt. President Obama and Mr. Lew have looked the American people in the eye without any qualifications, without talking about interest payments, and said, "We will not be adding more to the national debt." So you are asked to assume this important role. I ask you if you stand by that and if you believe that is accurate.

Ms. HIGGINBOTTOM. Senator, I would like to explain what they are referring to, which is a——

Senator SESSIONS. Well——

Chairman CONRAD. Let us let her——

Ms. HIGGINBOTTOM. Senator——

Chairman CONRAD. We have got to be fair here.

Senator SESSIONS. I will ask——

Chairman CONRAD. No, wait, wait, wait, wait, wait. You have asked her a question. She has a right to answer the question. We are not going to have this committee function—we are not going to ask people questions and not let them answer the question.

Ms. HIGGINBOTTOM. Both the President and the Director are referring to an effort to ensure that we pay for the programs, the government's operating costs, as they are proposed. That does not—that is a concept of primary balance, which I know you and the Director have discussed. That notion does not speak to the interest payments. When the President came to office, there was a \$1.3 trillion deficit. We have to borrow money to pay on that deficit. But what that statement refers to is an effort to get our——

Senator SESSIONS. Well, could I ask you this question. Did Mr. Lew or the President of the United States, when they made that statement, "We will not be adding to the debt," did they say, by the way, American people, what we really mean is some arcane idea about not counting interest payments that the United States must make as part of our debt? Did they say that?

Ms. HIGGINBOTTOM. I am not sure exactly what they did say. I would——

Senator SESSIONS. Well, if they did not say that, would that be an accurate statement?

Ms. HIGGINBOTTOM. The interest costs on the debt add to the—the interests costs on what we are borrowing on our deficit add to the debt.

Senator SESSIONS. Well, you are correct, and Mr. Geithner acknowledged that after Mr. Lew stood by his statement in this committee, after the President's own Press Secretary, when asked how could he make such a statement, did he stand by it, said, "Absolutely." So to me, it is—what about the statement that Mr. Lew made that it pays down our debt?

Ms. HIGGINBOTTOM. I am sorry, which statement?

Senator SESSIONS. That it pays down our debt, this budget that has just been——

Ms. HIGGINBOTTOM. I am not familiar with that statement. I think what is clear about the——

Senator SESSIONS. Well, if he said that, would that be accurate or not?

Ms. HIGGINBOTTOM. The fiscal year 2012 budget stabilizes the debt as a percentage of the economy. It is what we have referred to, the President has referred to as a down-payment or a first step in being able to tackle the long-term issue and really paying down the debt.

Senator SESSIONS. Well, that is not what he said. He said we will not be adding more to the national debt.

Look at that chart up there. That is from the President's budget numbers. Is there a single year in which we do not add more to the debt?

Ms. HIGGINBOTTOM. No.

Senator SESSIONS. It goes up and it doubles in 10 years, does it not?

Ms. HIGGINBOTTOM. As I mentioned, when the President took office, there was a \$1.3 trillion deficit. Payments on those are quite expensive and that adds to our debt. The concept both the President and the Director are referring to is achieving a point of balance with the programs that we are proposing and paying. That is a milestone. That is not an end point. And the President's budget makes very clear that we need to go far beyond that to really tackle our long-term deficit and debt issues.

Senator SESSIONS. So you are saying that, well, what the President really meant but what he did not say is that in 1 year or so, you calculate that if you do not count the interest, which is about the first thing you have to pay on your business debt in responsibility of payments, that if we do not count interest, then we can tell the American people we are not adding to our debt. Do you think that is a legitimate way to discuss with the American people the debt crisis we now face?

Ms. HIGGINBOTTOM. Senator, I think if we are trying to lay a responsible fiscal path coming out of this severe economic downturn, one of the first things we have to do is stop digging into the hole with the programs that we are proposing and funding.

Senator SESSIONS. Does this budget do that?

Ms. HIGGINBOTTOM. The budget provides a path to ensure that the programs that are proposed—

Senator SESSIONS. Does the budget—I do not know what a path means. I am saying, within 10 years, does it do what you said?

Ms. HIGGINBOTTOM. Does it not add to the debt?

Senator SESSIONS. You said it puts us on a path to—

Ms. HIGGINBOTTOM. Puts us on a path to stabilize our debt as a percentage of the economy, which is a very important first step to eventually being able to pay it down, which is the large task in front of us. And that is not just what I have said. Both the Director and the President have said this is a down-payment and a first step that we need to take.

Senator SESSIONS. Well, let us take the last 3 years of the President's 10-year budget. Do the deficits go down those years, eight, nine, and ten, or does the annual deficit go up in eight, nine, and ten?

Ms. HIGGINBOTTOM. I do not have the deficit table in front of me, but I—

Senator SESSIONS. Well, it is an important matter. I know what they basically say.

Ms. HIGGINBOTTOM. The President's budget reduces the deficit, takes it to about \$600 billion and stabilizes it. But as we have said—

Senator SESSIONS. No, it does not stabilize it. In years eight, nine, and ten, it goes up every year and reaches approximately \$900 billion from \$600 billion as the low point in the entire 10 years. The highest debt Bush ever had was \$450 billion.

Ms. HIGGINBOTTOM. And—

Senator SESSIONS. You do not have a single year in which the deficit falls below \$600 billion, do you, based on the budget that has been submitted here?

Ms. HIGGINBOTTOM. That is correct, and Senator, both the President and the Director, in discussing this budget, have talked repeatedly about these being the first steps that we need to take and that we need to come together in a bipartisan fashion, as the Chairman and some of his colleagues are doing, to really look at these longer-term issues. So this is not the end of the road. It is a first step. The President's budget is a first step in the budget process.

Senator SESSIONS. Well, thank you very much, and thank you, Mr. Chairman. I just believe that we are off track here with the language that we are hearing. I respected Mr. Lew and was pleased to support him, thought he would do fine, but I have been stunned by his public statements about the debt and my confidence in him has been reduced. Thank you.

Chairman CONRAD. Let me just say on this question of primary balance, because this is, frankly, something that did not start with the administration and actually started in the economics community, and it is this notion that if you get down to a deficit less than 3 percent of GDP, that you stabilize the debt. The debt is then no longer growing as a share of the GDP. And it is a way of balancing current expenditures against current income, not counting debt service.

I happen to agree with you that the use of this language, and I know economists like it because they like the idea of stabilizing the debt so that it is not growing as a share of GDP, and I understand the concept of matching current expenditures and current income. That is the notion of primary balance. It does not count previous debt service.

The trouble I have with it, and I think the trouble the Ranking Member has with it, is it can lead to the American people maybe hearing this and concluding that we have got the problem under control. And I think the point that the Ranking Member is making, and it is a point that I have made, is that the debt continues to grow.

It is true, it is stabilized as a share of GDP, and that is really what Director Lew was talking about, I think what the President was talking about. It is true they are matching current expenditures with current income, not counting previous debt service. But I think the trouble that I have, and I cannot speak for the Ranking Member, but from his comments, I think the problem he has, is that it might lead some casually listening to the conversation to conclude we have solved the problem, and I think you know, I think the President knows, I know for sure Jack Lew knows the problem is not solved.

Senator SESSIONS. Could I just say that five different fact check organizations have found that statement to be false, which it plainly is. Qualified in the fashion that the Chairman said, it might be a legitimate argument to make, but unqualified is misleading to the American people and should never be repeated.

Ms. HIGGINBOTTOM. And if I could, I think it is important that we have a very honest conversation with the American people about what the large task ahead of us is and what it is going to entail. I think that is a very important point.

Chairman CONRAD. Senator Whitehouse?

Senator WHITEHOUSE. Thank you very much.
I am glad to have you here, Ms. Higginbottom.
Ms. HIGGINBOTTOM. Thank you.

Senator WHITEHOUSE. I want to make one comment, which is that we in the—I have been in a lot of budget hearings recently and I have heard nearly relentless call from the other side of the aisle for more engagement by the White House with us in the budget process. There has been no criticism that the White House is too engaged with the Senate in the budget process. It is virtually a unanimous chorus that the White House and OMB are not engaged enough with the Senate in this budget discussion.

And so along comes the Director of the Office of Management and Budget and he chooses for his deputy somebody who would be—who is ideally situated to bridge that gap between the White House Office of Management and Budget, where you will be, and the Senate, where you have served so long. And the criticism that I have detected of the propriety, I guess, of your selection for this position seems to me to be what do you not—you know, it is like, what part of yes did you not like?

As far as what I can tell, what you bring to this is the message to us, yes, we hear you. Yes, we want to be more engaged, and we particularly want to be more engaged with the Senate. I think the House might have a grievance because of your Senate background, but I would have expected my colleagues on the Senate to welcome your appointment and to see your really immense qualifications as ones that track precisely in the direction that they want the OMB to go, which is higher, better, and more detailed coordination with the Senate.

So I am a little bit mystified at some of the comments that I have heard, but as far as I can tell, I want to let you know that to the extent that the Director's position in selecting you reflected a desire for that kind of more intense relationship with the Senate and with this committee, I applaud it and I think it is a great step. You have a wonderful reputation in the Senate, so I am delighted to add that to the equation.

Chairman CONRAD. Senator, could I interrupt—

Senator WHITEHOUSE. Please.

Chairman CONRAD [continuing]. To just advise the other members, there are now 10 minutes left on a vote. So what I would propose is that we divide up—you have got about 4 minutes remaining. If we could do your 4 minutes and then go to Senator Begich, then we would be able to close the hearing and go to the vote.

Senator WHITEHOUSE. I can probably be less than 4 minutes, because the other point that I wanted to make is that—let me frame this as a question. Is there a way to separate out in government budget choices from policy choices? Is there such a thing as a budget choice that does not have a policy impact or consequence?

Ms. HIGGINBOTTOM. Thank you, Senator. In my experience and in my estimation, the answer is no. When you look at the series of decisions that led to taking us from the surplus to the deficit that occurred over the last decade or so, those are a series of policy choices about what we are paying for and how to do it.

The path forward, dealing with our long-term fiscal challenges is going to require a set of decisions about policies, how we are going

to address entitlements, how we are going to address spending, what the programs will look like, how they can be made more efficient and effective.

So I would agree with the premise of your question that these are very interrelated, and I think that when the Director approached me about this position, it was along those lines that he thought that my experience was well suited to that.

Senator WHITEHOUSE. And as some of my colleagues have said, these are not ordinary times. These are extraordinary times from a budget point of view, which means that we can expect extraordinary policy consequences from the decisions we make. So, for instance, if we make the policy choice to eliminate Planned Parenthood, to eliminate the Americorps program, to eliminate TIGER grants, to cut the heck out of the Head Start program, but to preserve every corporate tax loophole on the books, it is important to evaluate that choice as a policy choice, is it not?

Ms. HIGGINBOTTOM. It is, indeed, and the President's proposal for freezing non-security discretionary spending is not an across-the-board cut for the reasons that you articulated. It is important that we go through and learn what we can live with and what we can cut.

Senator WHITEHOUSE. Let me close out with one point that the Chairman has heard me make in every hearing that we have had, and that is that if we are going to solve our health care problem, we are going to have to do it as a systemic solution in health care. It is not just a government program problem. It is a health care system problem that affects both government programs and private companies and insurers who are seeing the same increases from the underlying problem in the health care system.

And I applaud the fact that you have this policy background because people who come at this only from a budget background, take a look at the delivery system reform piece of the equation, look to the fact that OMB and CBO cannot, because of its nature, put an instant dollar calculation on it and say it saves X, and then they move on to other things. And I think it is a blindness in the budget mindset that is really dangerous as we deal with our health care problem, and I think you, having the broader policy mindset and understanding that some things are worth the trip, even if you are not sure when various benchmarks will be made and when those enormous prospective savings can be realized, is still worth the policy emphasis and the necessary budget emphasis to support it.

So I am here to say that I think you are the right person at the right time in order to have the right relationship between this committee and this body with the White House as we try to get to the right policies for the American people in this budget discussion. I thank you for your willingness to serve.

Ms. HIGGINBOTTOM. Thank you, Senator.

Chairman CONRAD. Senator Begich?

Senator BEGICH. Thank you very much, Mr. Chairman. I will try to be brief, too, because I know we have these votes.

First off, thank you very much for your willingness to serve. My philosophy is fairly simple when it comes to executive appointments. I am a former mayor. I had to appoint people and go through a process, but I also served on a legislative body, in the

local city council for nine-and-a-half years, and my view has always been, even when I maybe disagreed philosophically with the person who was at that time a mayor and I was an assembly member, they had the choice to pick their team. They live and die by that choice.

Now, that is how I look at it, so however you move forward in a sense of hopefully you will be appointed to this position and we are going to hold you accountable, I will probably have a lot to say, especially to OMB, because I think they are sometimes confused on what Alaska is about and I sometimes wonder if they know that Alaska is part of the United States, so we will have those conversations.

But to Senator Whitehouse's comment, in all due respect to my colleague earlier who has left, I am not mystified what is going on. I may be new here, but I am not lost on what is going on here. They do not necessarily like who you worked for. They do not like the policies of the OMB Director. They do not like the President. I can go through the shopping list. And you are the victim today. And I appreciate the Chairman kind of bringing it back to cordial commentary rather than interrupting you all the time on your attempting to try to answer the questions.

I would encourage my colleague who had left earlier, if he has an issue with Jack Lew's comment, he should call Jack Lew. That is who could probably answer his question, rather than putting you through that. But you did a good job.

I know some, and I have heard the buzz words before, because as someone who entered the public service at a very young age, serving for a mayor at the age of 20 and then being elected to the city council at 26, I know when they use the words, "experience" is a buzz word for age. I understand that. It is a code word.

If there is anything this government needs more of, people that are younger generation and understand what the heck is going on. So I truly appreciate that you are part of this OMB team, because I sometimes think that folks that have been here way too long in the sense of the bureaucracy and also people who have many, many, many decades in government service—no disrespect to them—they need some new blood in there to shake it up. And so I appreciate your willingness, again, to serve.

My question is just a real simple one, which probably is not an easy answer, and that is my frustration with these stop-gap measures of funding, which again in about 3 minutes or so we will be voting on them, I think these are appalling, this is the way we operate in a three-plus-trillion-dollar budget. But I am curious, do you have any thoughts of what you feel is a way, not the political way, but how you can make it easier for us to do our job to really help move this system a little bit faster?

Ms. HIGGINBOTTOM. Well, first, Senator, thank you very much for your comments.

With respect to the process that is underway now for closing out fiscal year 2011 funding, I think there are steps that, if the regular order is followed and in a regular year, can really be very effective. One of the reasons why I am excited to serve this President, but specifically with Director Lew, is because he is very deft and expe-

rienced at the budget process from the executive branch perspective.

The President's budget is the first step. This committee, the House, as well, will lay out theirs. And if we follow that process and work and have real dialog and discussion, I think we can get to a place where we are not simply passing short-term spending bills and have a more comprehensive and serious look at the fiscal picture.

Senator BEGICH. Thank you very much.

Mr. Chairman, I just want to say, I think the applicant has great qualifications. You will hear more from me. I am hoping that you will get appointed. I know there is a lot of information that was put on earlier, you know, what debt or deficit we started this fiscal year with. I think there was a few hundred million my colleague was off when he said 400. I think that President Bush's actually last budget proposal was over a trillion dollars of deficit spending. People get a little foggy on the numbers around here because it is good spin.

But I hope when you come forward, that we work on the numbers in a forthright way. It sounds like you will. And when we disagree, we disagree, but hopefully we will move through this together as a country to deal with these deficit issues. Thank you very much.

Ms. HIGGINBOTTOM. Thank you, Senator.

Chairman CONRAD. I thank the Senator.

We only have about 2 minutes left on the vote, so we are going to close the hearing.

First of all, let me say I intend to fully and strongly support your nomination. I believe you are fully qualified for this job. I note on this question of age, I was 38 years old when I was elected to the U.S. Senate, served on this committee. So age—I look back at others who have served in that position, in fact, the ones who ran the agency were in their early 40's. So I do not think that is the issue.

Look, the issue for all of us is our country is in the ditch. We can debate all day and all night who put us there. I have got a view, a very strong view about who is responsible, and it is not this current President. This current President inherited this disaster. There can be no question about that. If we want to get into a factual debate about what this President inherited, it is as clear as a bell. He inherited a country that was on the precipice of a financial collapse. That is what he inherited. And thank God he and others have taken the steps, and I would also credit the previous administration at the end of the administration for the steps that they took to prevent a collapse.

With that, we thank you, and the hearing will stand adjourned.

Ms. HIGGINBOTTOM. Thank you.

[Whereupon, at 3 p.m., the committee was adjourned.]

UNITED STATES SENATE
COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642
WASHINGTON, DC 20510-6250

STATEMENT OF BIOGRAPHICAL AND FINANCIAL
INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** Heather A. Higginbottom
2. **Position to which nominated:** Deputy Director Office of Management and Budget
3. **Date of nomination:** January 26, 2011
4. **Address:** (Redacted)
5. **Date and place of birth:** July 15, 1972; Binghamton, NY
6. **Martial status:** Single
7. **Names and ages of children:** N/A
8. **Education:**
Secondary: Chenango Valley Jr. Sr. High School, Binghamton, NY, June 1990
Undergraduate: University of Rochester, Rochester, NY, 1990-1994, B.A. in Political Science, May 1994
Graduate: George Washington University, Washington, DC, 1997-1999, MPP, May 1999
9. **Employment Record:**
 - Transportation Research Board, National Research Council, Administrative Assistant, Washington, DC November 1999-June 1995
 - Communitites In Schools, Government Relations Assistant, Alexandria, VA, June 1995-July 1997
 - Office of Senator John Kerry, Legislative Assistant, Deputy Legislative Director, Legislative Director, Washington, DC, July 1999-March 2004; November 2004-May 2005; January 2006-February 2007

- John Kerry for President, Deputy Policy Director, Washington, DC April 2003–November 2004
- American Security Project, Executive Director, Washington, DC, April 2005–February 2006
- Obama for America, Policy Director, Chicago, IL, February 2007–November 2008
- Obama Presidential Transition Team, Staff Secretary, Washington, DC, November 2008–January 2009
- The White House, Deputy Assistant to the President and Deputy Director of the Domestic Policy Council, Washington, DC, January 2009–Present

10. Government Experience: List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments, other than those listed above.

None.

11. Business relationships: List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

American Security Project, Executive Director, Washington, DC, April 2005–February 2006

12. Memberships: List all memberships and office currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

- Platform Drafting Committee, Democratic National Committee, Member 2008

13. Political affiliations and activities:

(a) List all offices with a political party which you have held or any public office for which you been a candidate.

None, except for positions held in connection with political campaigns as described below.

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

John Kerry for President, Deputy Policy Director, Washington, DC April 2003–November 2004

Platform Drafting Committee, Democratic National Committee, Member 2008

Obama for America, Policy Director, Chicago, IL, February 2007–November 2008

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 5 years.

\$401 to Obama for America in 2008

14. Honors and awards:

- University Fellowship from George Washington University that covered graduate school tuition and provided a stipend for expenses.

15. Published writings:

- The White House blog, “Taking America from #12 to #1”, 7/23/10, <http://whitehouse.gov/blog/2010/07/23/taking-america-12-1>
- The White House blog, “Ensuring Your Success”, 9/27/10, <http://www.whitehouse.gov/blog/2010/09/27/ensuring-your-success>
- The White House blog, “The Results are In.” 4/30/10, <http://whitehouse.gov/blog/2010/04/30/results-are>
- The White House blog, “Race to the Top High School Commencement Challenge,” 3/4/10, <http://www.whitehouse.gov/blog.2010/03/04/race-top-high-school-commencement-challenge>

16. Speeches:

- Remarks about Obama Administration’s education policy agenda at Board Meeting Dinner of Communities In Schools, 5/14/09
- Commencement address, Political Science degree ceremony, University of Rochester, 5/17/09

- Remarks on child welfare to Every Child Matters conference on child welfare, 10/22/09
 - Remarks at conference on Promise Neighborhoods, 11/9/09
 - Remarks about Obama Administration Domestic Policy Council agenda to Grantmakers Income Security Taskforce and Grantmakers for Children, Youth, and Families 2/25/10
 - Remarks to Voice for America's Children national conference, 6/25/10
 - Remarks to First Focus Children's Budget conference, 7/14/10
 - Remarks at Department of Education conference on Promise Neighborhoods, 11/8/10
- Additionally, I made the following informal remarks in the last 5 years.
- Heather Higginbottom Reacts to the Citizen's Briefing Book <http://youtube.com/watch?v=L6Vtsy5kWA8>, 1/13/09
 - Open for Questions: The State of the Union <http://youtube.com/watch?v=3SF8bSbHD4M>, 1/27/09
 - Remarks about Obama Administration Domestic Policy Council (DPC) policy agenda at White House briefing of American Hotel and Lodging Association, 3/16/09
 - Remarks about DPC policy agenda to the Children's Leadership Council, 4/2/09
 - Remarks about DPC policy agenda at White House briefing of Hebrew Immigrant Aid Society
 - Remarks about DPC policy agenda at White House briefing of National Caucus of Hispanic State Legislators, 4/24/09
 - Remarks to high school students about professional career path, 10/23/09
 - Remarks at dinner honoring inductees into Chenango Valley High School Hall of Fame, 10/24/09
 - Remarks about immigration reform at White House briefing of Irish American organizations, 1/15/10
 - Open for Questions: More Questions from You Tube <http://www.whitehouse.gov/photos-and-video/video/open-questions-more-questions-you-tube>, 2/5/10
 - 2/5/10 White House: Open for Questions via YouTube Part 1 of 4 <http://www.youtube.com/watch?v=GcqTpJ16b78>, 2/5/2010
 - Remarks to student in the YouthBuild program, 3/24/10
 - Remarks at closing of White House summit on Community Colleges, 10/5/10
 - How the President Stays in Touch with Young People <http://www.mtv.com/videos/news/583083/how-president-obama-stays-connected-with-young-people.jhtml#id=1649327>, 10/13/10
 - Remarks at reception for winners of Promise Neighborhoods planning grants, 11/8/10
 - Remarks about DPC agenda to White House briefing for attendees to Hanukkah reception, 12/3/10
 - Remarks about DPC agenda to White House briefing for attendees to White House holiday party, 12/16/10
 - Remarks at reception for Promise Neighborhoods applicants, 12/16/10
 - West Wing Week: Student Loans <http://www.youtube.com/watch?v=jFMQT-10lWI>, 12/30/10

17. Selection:

(a) What do you believe in your background or employment experience affirmatively qualifies for this particular appointment?

Over nearly a decade of public service, ranging from non-profits to congress to the White House, I have worked hard to improve the efficiency and effectiveness of government; to make critical programs respond better the needs and priorities of ordinary Americans. Out Nations faces hard budgetary choices in the coming years. The experience I gained as the Legislative Director for Senator Kerry, as a Policy Director for two national Presidential campaigns, and most recently as Deputy Director for the Domestic Policy Council has prepared me to tackle those challenges as Deputy Director of the Office of Management and Budget. This position demands policy sophistication as well as technical budget expertise. I possess both. I have been involved with numerous budget and appropriations-related issues during my career. This was essential for me to develop national platforms for two presidential candidates. Similarly, my roll at the Domestic Policy Council has required significant involvement with the budget processes during the Obama Administration. Yet, I have been responsible for managing such complex processes throughout my professional life, all of which have had multiple constraints on decision-making, and often many sources of informatin to process and competing equities to balance. These skills are critical to ensuring that policy initiatives are affordable, cost-effective and have long term returns for the taxpayer, which in turn are essential for the Administration to be a good steward of government.

(b) Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

No.

(c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

If confirmed, I will remain an employee of the US Government.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

While I have had extensive experience in the formulation of legislation and public policy as a federal government employee in the legislative and executive branches, as well as during political campaigns, I have had minimal engagement in these activities during the short period in which I was neither a government nor a campaign employee during the relevant time period.

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your response to the above questions.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

It is possible that my former employers were involved in litigation during the periods I worked for them; however, to my knowledge, no suit involved allegations related to my own conduct, and I was not personally involved in any legal proceedings.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with our nomination.

None.

E. TESTIFYING BEFORE CONGRESS

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes.

F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents.

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:

(a) assets of \$10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and

(Redacted)

(b) liabilities of \$10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds \$10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.

(Redacted)

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF 278 Financial Disclosure form.

(Redacted)

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

(Redacted)

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

(Redacted)

5. List sources and amounts of all gifts exceeding \$500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

(Redacted)

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.

(Redacted)

7. Have your taxes always been paid on time including taxes on behalf of any employees? If not, please explain.

(Redacted)

8. Were all your taxes, Federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.

(Redacted)

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, local, or other tax return? If so, what resulted from the audit?

(Redacted)

10. Have any tax liens, either Federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.

(Redacted)

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

(Redacted)

12. Have you ever been late in paying court-ordered child support? If so, provide details.

(Redacted)

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

(Redacted)

AFFIDAVIT

Heathor A. Higginbottom being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Heathor A. Higginbottom

Subscribed and sworn before me this 26th day of January, 2011

Bessie M. Jones Weaver
Notary Public
Commission Expires: August 14, 2014

**PRE-HEARING QUESTIONS FROM CHAIRMAN CONRAD WITH
RESPONSES BY HEATHER HIGGINBOTTOM**

**Questions from Chairman Conrad for Heather Higginbottom,
nominee to be Deputy Director, Office of Management and Budget**

- 1. You have extensive and impressive experience as a public servant, working in a broad array of policy areas and settings. However, your background does not appear to include budgeting as a main focus. If confirmed, how do you see your role as Deputy Director, and how does your professional experience help fulfill that role?**

It is my understanding that the OMB Director expects the Deputy Director and Deputy Director for Management to work as a team, with defined areas of focus depending both on changing demands, and the skills and background that each of us brings to our positions. For instance, if confirmed, I expect to work closely with the Director on the preparation of the annual budget; to coordinate and lead OMB's participation in the policy process within the Executive Office of the President; and to help lead internal management of OMB. If confirmed, I will also work closely with the Deputy Director for Management to ensure that agency and performance information is integrated into the annual budget process.

The work I have done outside and inside government has prepared me for the role of Deputy Director of OMB. As a Legislative Director in the U.S. Senate, in the White House and on two presidential campaigns I have had significant management experience, leading large teams in the development of policy agendas and proposals. In addition, I have worked on budget and appropriations issues in each of these roles, whether developing a budget for the campaign policy platforms, working on budget and appropriations issues in the Senate, or working with OMB to develop the President's budget and secure funding for key priorities at the Domestic Policy Council. I have also had responsibility for managing and coordinating policy across a wide range of issues, as would be necessary as Deputy Director of OMB. In two presidential campaigns I was charged with development of the candidate's entire policy agenda, ranging from economic to domestic to national security policy.

- 2. What do you see as the main function of the budget and the budget process?**

The budget process provides the means for the President and Congress to decide how much money to spend, what to spend it on, and how to raise the money they have decided to spend. Through the budget, they determine the allocation of resources among the agencies of the Federal Government and between the Federal Government and the private sector. The challenge is to allocate resources so as to maximize their impact and develop a budget that meets a responsible fiscal path while at the same time providing for the needs of the American people, including our national defense and individual security and opportunity.

The decisions made in the budget process affect the Nation as a whole, state and local governments, and individual Americans. Many budget decisions have worldwide significance. The Congress and President enact budget decisions into law, and the budget system ensures that these laws are carried out. The Federal Government must continually review all spending to make certain that every dollar addresses a clear need or problem.

Our Nation is facing long-term budget challenges. Besides focusing on budget decisions for the upcoming fiscal year, it is important to take a longer term view and provide policymakers with high quality long-run information, so they can plan adequately for the future needs of the country and their decisions can be better informed.

3. The nation continues to face two fiscal challenges: (1) continuing and strengthening the nascent economic recovery, including putting more Americans back to work, and (2) dealing aggressively with our unsustainable long-term debt. How should the government balance those two challenges and what mix of policies, including the timing of implementing such policies, do you believe is necessary to address them?

I support the approach taken in the President's FY 2012 Budget which begins the challenging but essential process of adjusting spending to achieve fiscal sustainability immediately with a five-year freeze of non-security discretionary spending. At the same time, it continues to fund the programs needed to assist the unemployed and spur future economic growth. Deeper cuts than those proposed in the Budget would put the recovery at risk.

Similarly I believe that it was important to keep taxes from going up on all Americans just as our economy was beginning to recover, and I applaud members on both side of the aisle for passing the landmark tax agreement in December.

As the recovery takes hold, our Nation will need to quickly pivot towards deficit reduction. The President's FY 2012 Budget would raise revenue starting after 2011, proposing for example to limit itemized deductions and close loopholes for corporations that send jobs overseas, eliminating subsidies for oil and gas companies, and cutting tax breaks for hedge fund managers.

4. What is your assessment of the proposal put forth by the two chairs of the President's Fiscal Commission? What do you see as its strengths and weaknesses?

The Commission was charged with identifying policies to improve the fiscal situation in the medium term and to achieve long-term fiscal sustainability. The Commission put forward a comprehensive package that included reforms in all parts of Budget, and proposed deficit reduction package that went significantly beyond their deficit reduction goal. The Administration doesn't agree with every recommendation in the report, but many of the options from the Commission report were adopted in the Budget that the President put forward last week.

Most importantly, the Commission was able to start a real, bicameral, bipartisan discussion on these issues, and they did so by keeping all options on the table – in domestic spending, defense spending, health care spending, and spending through tax breaks and loopholes. I think this was their greatest strength. While they did not in the end get 14 out of 18 votes, they did achieve a majority, which is a significant achievement and indicates the seriousness of their process. Their work reset the debate on further deficit reductions, and expanded the debate to include a broader range of options.

5. The chairs of the President's Fiscal Commission proposed almost \$4 trillion in savings through 2020, with more savings coming from the spending side of the ledger than from the revenue side. How do you assess both the total amount of savings and the split between spending and revenues?

The mandate of the Fiscal Commission was to design an approach to reach primary balance in the middle of this decade. I think that was a sensible goal. The Commission package included reforms that went farther than primary balance. While more will need to be done farther down the line, we need to have a set of policies that are consistent with the dual goal of imposing fiscal discipline and supporting the fragile recovery. The FY 2012 Budget lays out a mix of spending and revenue policies over the near term, but the exact mix of spending and revenue over the long term is something that should be part of a broad bipartisan conversation over the next several months.

6. What do you think works well with the current budget process? What doesn't work well? Are there aspects of the existing budget process that you believe should be replaced or updated?

The process of preparing the President's Budget with accompanying materials and submitting it to Congress and the public has been refined over many decades and works well.

OMB, the Congressional Budget Office (CBO), and the Government Accountability Office (GAO) each prepare immediate, mid-term, and long-term budget projections, explain budgeting concepts and terminology, and relate them to legislation. Over recent decades, this has improved the budgetary sophistication of all parties involved.

Additionally, the Administration and Congress work together closely as Congress considers Presidential budgets through its legislative process. If confirmed, I look forward to reviewing this process further to determine if there are any processes that could be improved.

7. If confirmed, what actions would you take to foster an environment where a bipartisan compromise could be reached to address the nation's long-term fiscal challenges?

I view the role of Deputy Director to be part of a team working with the Director, the Deputy Director for Management, and other members of OMB's senior leadership. The Director has stated that fostering such an environment is critical for bipartisan compromise, and if confirmed, I look forward to joining in these efforts.

8. Relative to the size of the economy, at what level of debt do you believe the government faces a significant risk of a fiscal crisis? Should the government set a target for stabilizing the debt? If so, at what level and by when?

There is no precise level of debt that triggers a fiscal crisis; it depends on the prospects of the economy and the budget going forward and on how our debt compares to other nations. The United States and other nations have had debt far exceeding our current level, 62 percent of GDP, without triggering a fiscal crisis.

Still, high levels of debt increase the risk of fiscal crisis as well as potentially crowd out private investment and reduce our ability to respond to future domestic or international problems. The President's FY 2012 Budget addresses these concerns over the near term by stabilizing the debt at around 76 percent of GDP starting in FY 2013.

Beyond the budget window, debt levels are expected to start increasing again due to spending rising more quickly than revenues, as entitlement spending is projected to continue rising faster than economic growth. In order to curtail this future growth in debt we must address the long-term imbalance of spending and revenue.

9. The level of foreign holdings of US debt grew dramatically under the prior administration and remains at a high level. Do you view the increase in foreign-held debt to be a problem for the US? Why or why not? Do you believe that the large amount of foreign holdings of US debt leaves the US vulnerable to the priorities of foreign creditors?

As long as the United States is running a current account deficit, some of this will be financed by net purchases of Treasury debt by foreigners. To alleviate any concerns about overall debt levels, including concerns raised by foreign-held debt, we must bring the budget deficit to a more sustainable level, as the Administration has outlined in the President's FY 2012 Budget.

10. A common criticism of the current budget process is that it does a poor job of providing information on the long term – both in the budget materials submitted by the President each year and in the Congressional budget process. Do you agree that

this is a problem? If so, what ideas do you have for addressing this lack of longterm information both in the up-front planning each year and in the subsequent consideration of legislation by Congress?

As the country recovers from the worst recession in generations, we must shift to rebuilding our competitiveness and investing in our Nation's future. The President's FY 2012 Budget outlines an appropriate transition from economic recovery to fiscal discipline, bringing deficits as a share of the economy from 11 percent of GDP this year to 3 percent of GDP by the middle of the decade. In doing so, the Budget makes critical investments in our nation's education and competitiveness, especially in education and R&D, while cutting low-priority programs that we cannot afford. The Budget also lays out a framework for improving our country's long-term fiscal outlook, using \$62 billion in health savings to pay for a two-year extension of the current levels for the Sustainable Growth Rate and cutting the value of tax expenditures for the wealthiest Americans to pay for three years of relief from the Alternative Minimum Tax. While critical first steps, the President has been clear that these policies are not sufficient to solve our long-term fiscal challenges, which is why we must work together on a bipartisan basis to address these issues.

11. The President signed into law last year the Patient Protection and Affordable Care Act (PPACA), a major and historic piece of legislation that will expand coverage, lower health care costs over time, and reduce the deficit. However, while important, much more will need to be done to control health care spending over the long term. Do you agree that even with PPACA growth in health care spending remains the nation's primary budgetary challenge over the long term? If so, in what areas should Congress and the administration focus its efforts?

I agree that Federal spending on Medicare and Medicaid and rising health costs are the main contributors to our Nation's long-term deficit.

The Congressional Budget Office estimated that the Affordable Care Act (ACA) will reduce the deficit by more than \$200 billion from 2012-2021, and by more than \$1 trillion in the second decade. At the same time, the Act has the potential to fundamentally transform our health system into one that delivers better care at lower cost. The ACA includes many of the most promising ideas from economists, practitioners, and leaders across the political spectrum to rein in long-term health costs. These include the Independent Payment Advisory Board, the excise tax on high-cost health insurance plans, and measures to curb waste and improper payments in the Medicare and Medicaid programs.

Our Nation's fiscal challenges show how important it is to successfully implement the Affordable Care Act. We need to ensure the Affordable Care Act's cost-saving measures are implemented and move forward with other efforts to reduce deficits. If confirmed as

Deputy Director of OMB, I look forward to working towards the effective implementation of the ACA, as well as on additional measures to constrain rising health care costs.

12. The President has proposed making the Pell grant program fully mandatory in each of his first two budgets. Congress elected not to include that proposal as part of the changes it made to higher education in the Health Care and Education Reconciliation Act of 2010. Given Congress's decision against making Pell fully mandatory, how should the budget and budget process account for the discretionary piece of Pell funding, including the amount of any shortfalls?

The President's FY 2012 Budget proposes a workable, permanent solution to the cost increases and structural shortfalls that plagued the Pell program. Following the lead of Congress, the FY 2012 Budget reflects the current Congressional treatment and proposes specific and difficult measures designed to put discretionary Pell Grants on a sustainable path. At the same time, this remains a program with a history of significant unanticipated funding increases, and we believe that it would be unwise for the budgetary treatment of Pell Grants to force continual cuts in need-based postsecondary education aid that would undermine the Nation's long-term success. For this reason, the Administration looks forward to working with Congress to consider ways to ensure that the Pell Grant program has the necessary resources.

13. As part of its larger package of recommendations, the chairs of the President's Fiscal Commission propose to reclassify spending from the Transportation Trust Fund to mandatory and eventually to limit such spending from the trust fund to the amount of dedicated revenue collected the previous year. This proposal comes at a time when Congress has both failed to reauthorize surface transportation programs and been forced to authorize a number of transfers of money from the General Fund into the Transportation Trust Fund. Does the proposal adequately address the fundamental problems facing the Transportation Trust Fund and transportation funding, in general? If not, explain why? Are there additional recommendations, including changes in the Congressional budget process, that you believe could help address this problem?

The Administration believes that it is critical to increase investment in surface transportation to keep our Nation competitive. Consistent with the recommendations of the President's Fiscal Commission, the Budget proposes to reclassify trust-funded transportation spending as mandatory, rather than continuing a hybrid treatment that has resulted in less accountability and discipline in transportation spending. My understanding is that the reclassification would help enforce meaningful budgetary limits on spending and improve transparency in budget presentation. If confirmed, I look forward to working with you on this proposal, which is intended to address the concerns

that you cite.

14. The chairs of the President's Fiscal Commission laid out a broad framework for comprehensive tax reform. That decision was predicated on a belief that the current tax code is outdated, inefficient, unfair, anti-competitive, and cumbersome. Do you agree with that assessment? If so, what do you believe should be the guiding principles for any tax reform proposal? Given the nation's current trajectory of spending, what total level of (as a percent of GDP) of revenues should a tax reform proposal aim for by 2015? 2020?

The President has endorsed the idea of revenue-neutral reform for corporate taxes. This would entail reducing the statutory tax rate to be more in line with the rates in other countries, while at the same time broadening the base by eliminating preferences and loopholes.

The Fiscal Commission also proposed a major reduction in individual tax expenditures, with most of the revenues used to reduce tax rates and only a fraction of the revenues used to reduce the deficit. In the Budget, the Administration proposes to reduce the value of certain tax expenditures for upper-income taxpayers, using the revenues to pay for three years of extending relief from the Alternative Minimum Tax. The President also said in the State of the Union that the best thing we could do on taxes for all Americans is to simplify the individual tax code.

If confirmed, I look forward to working with the Department of Treasury and the Congress to develop these tax reform proposals.

15. An area of focus for this committee is identifying programs and services across the government that are either outdated or that overlap with other programs and services. In recent years, OMB has identified some of these programs in its "Terminations, Reductions, and Savings" volume. GAO is similarly doing work in this area for the Congress and it was one focus of the recently enacted GPRA Modernization Act of 2010. What additional steps can the administration take to identify these programs and to help Congress assess and compare the performance of these programs? What specific program and policy areas do you believe offer the largest opportunities for consolidating programs in a way that maximizes effectiveness and efficiency?

The annual "Terminations, Reductions, and Savings" volume is a central focus of the Administration's effort to identify outdated or duplicative programs and services, and to address these programs as part of the annual budget process. The President's 2012 budget proposes more than 200 program terminations and other reductions totaling \$33 billion.

We are targeting areas where programs are duplicative, outdated or simply ineffective. For example, the budget consolidates 38 K-12 education programs into 11 new programs that use competition and performance to allocate funds. The budget also calls for a 40% reduction in the more than 2000 data centers maintained by Federal agencies.

There is a great deal of overlap between our ongoing efforts and the report GAO recently issued with specific recommendations for eliminating duplication and increasing efficiencies. The GPRA Modernization Act requires OMB to coordinate efforts on Federal crosscutting goals which will focus additional attention on areas of duplication and overlap. If confirmed, I look forward to working with my colleagues within OMB, the Congress, GAO and Federal agencies to continue to improve government's efficiency and effectiveness.

16. What do you see as the federal government's main management challenges?

At the outset of his Administration, President Obama mandated a far-reaching effort to make government work better. OMB plays a lead role in this effort, and has an ambitious management agenda focused on improving the delivery of government services, eliminating waste, reducing costs, and restoring the American people's faith in their government's ability to operate effectively, efficiently, and transparently. Some of the key management priorities include: focusing agency leaders on priority performance goals, instituting an outcome-oriented performance measurement program, improving contract management practices to reduce costs and risks in government procurements, improving the government's implementation of technology solutions, reducing improper payments and strengthening financial management, reforming and re-energizing the Federal workforce, and improving transparency and accountability at all levels. If confirmed, I look forward to working with the OMB Director Jack Lew, Jeff Zients, the Deputy Director for Management and Chief Performance Officer, Members of Congress, OMB staff, and agency leaders on all aspects of this agenda.

17. The Congress has twice in recent years passed legislation that modified the Federal Credit Reform Act, specifying that the value of these credit transactions be estimated using an approach other than the traditional method of discounting cash flows using Treasury rates. In addition, in limited cases, the Congressional Budget Office has provided by request illustrative estimates to Congress for certain legislation substituting "fair-value" estimates for those estimates prepared according to the Federal Credit Reform Act. Should the Federal Credit Reform Act be revised to require estimates that reflect "fair value" or a similar method that accounts for "market risk"? Are there changes that Congress should consider making to the credit reform process?

The idea of capturing market risk in the subsidy cost estimates for all Federal credit programs is a significant change in concept, and warrants discussion before considering

changes to the Federal Credit Reform Act to apply that concept more broadly. If confirmed as Deputy Director, I would encourage discussions among OMB, the Budget Committees, and the Congressional Budget Office to explore the goals, benefits, and challenges of requiring “fair-value,” or other methods to account for market risk in credit subsidy cost estimates, including lessons learned from the Troubled Asset Relief Program and International Monetary Fund increases provided in the 2009 Supplemental Appropriations Act.

**POST-HEARING QUESTIONS FROM RANKING MEMBER JEFF
SESSIONS WITH RESPONSES BY HEATHER HIGGINBOTTOM**

**Questions from Ranking Member Sessions for Heather Higginbottom
Nominee to be Deputy Director, Office of Management and Budget
01/09/2011**

Deficits/Debt

1. For the past several decades, policymakers have espoused the need to deal with the debt and deficits in the long-term, but cite issues of the time as a reason to run short-term deficits. However, in practice, the short-term deficit spending justifications have adjusted to the times, as the long-term problem got worse. Put simply, the problem keeps getting pushed down the road. Do you believe there is a point at which eliminating the deficit and beginning to pay down the debt outweighs any other short-term condition or need? How far away are we from that point?

It may be true that policy makers did not always make sound arguments for policies that increased deficits in the years before the 2008 financial crisis. But once the crisis was underway, it was absolutely necessary to take decisive action, through the Recovery Act and the recent landmark tax agreement to bring our economy back from the brink of a second great depression and get the recovery on a solid footing, even though those measures added to the deficit and debt.

As the recovery takes hold, our Nation will need to quickly commit to deficit and debt reduction. Accordingly, I support the approach taken in the President's FY 2012 Budget which begins the challenging but essential process of adjusting spending to achieve fiscal sustainability immediately with a five-year freeze of non-security discretionary spending. At the same time, the Budget continues to fund the programs needed to assist the unemployed and spur future economic growth. Deeper cuts than proposed in the Budget could jeopardize the recovery, and such risks must be considered carefully.

The President's FY 2012 Budget would raise revenue starting after 2011, proposing for example to limit itemized deductions and close loopholes for corporations that send jobs overseas, eliminating subsidies for oil and gas companies, and cutting tax breaks for hedge fund managers, among others.

2. Can you please give us your thoughts on the debt, deficit, and your approach to lowering both?

I support the approach that the President laid out in his FY 2012 Budget. Under his plan we would reduce deficits to around 3 percent of GDP and stabilize the debt as a share of GDP. That fiscal path is the result of freezing annually-appropriated non-security spending for 5 years, reducing defense spending from earlier plans, reducing mandatory spending, and closing tax breaks and loopholes. Importantly, the Budget's fiscal path also results from paying for new mandatory and tax initiatives rather than allowing them to increase the deficit, as has been done in the past.

Even under the President's Budget, the debt starts to creep up as a share of GDP at the end of the budget window. This is an indication of the longer-term challenges that we face in maintaining balance between spending and revenue. So while the Budget proposals would produce significant improvements in the near-term and medium-term fiscal situation, there is more work to be done. If confirmed as Deputy Director, I would look forward to making bipartisan progress on those issues.

Spending

3. You have celebrated in your speeches the President's expansion of the student loan forgiveness plan, which would excuse debt after a 10 year period. Would this plan, which does not require all money borrowed to be paid back, increase or decrease the deficit? If it increases the deficit, from a budget prospective, not a policy prospective, do you believe this was a good policy?

Last March, the President signed into law the Student Aid and Fiscal Responsibility Act, a comprehensive package of changes to improve the effectiveness and reduce the costs of Federal student aid programs. Among the changes was expansion of existing loan forgiveness for certain individuals with lower incomes relative to their debt burden, including those who enter public service. This change was good policy, since it keeps students out of default and encourages individuals to take jobs serving their fellow citizens. CBO determined that its marginal costs were fully offset in the bill, which is estimated to save taxpayers more than it cost over a ten year period.

4. In your speeches and writings, you have advocated and even celebrated spending on areas and programs you support. However, we can see in multiple states that tough decisions have to be made to cut spending. Sometimes even popular causes end up not getting funded in favor of other causes. How will you prioritize spending? Are you willing to say "NO" to spending on a cause or program you support if it means cutting the deficit?

Allocating budgetary resources always involves a trade-off between what one wants to do and what one can afford to do. This is exacerbated when the imperative is to limit spending in order to reduce the drag of deficits and debt on our economic growth and competitiveness.

The FY 2012 Budget exemplifies this trade-off. In order to maintain the five-year freeze on non-security discretionary spending, every decision to invest in one program required a cut somewhere else. This meant finding low-priority programs that were duplicative, outdated and ineffective.

But to achieve the deeper cuts needed to support the freeze, the Budget also had to look beyond the obvious and cut spending for programs that, absent the fiscal situation, I would not choose to cut. These include cuts to the Low-Income Home Energy Assistance Program (LIHEAP), Community Service Block Grants, and Community

Development Block Grants. In cutting these important programs, the Budget prioritized those investments and actions required to keep the economy growing and to out-build, out-innovate, and out-educate other nations in the 21st century. In other words, we must look for cuts while protecting our values and interests.

While it is important to evaluate each investment and cut on its own merits, I believe that the FY 2012 Budget was an excellent model of how to take the steps necessary to protect truly core priorities.

Government Operation

5. The President and Congress have frozen federal employees' pay, however, do to the structure of the GS scale, federal employees will still enjoy a pay increase simply for longevity. Would you support a "step freeze" to accompany the pay freeze? Do you think it is time to reform the GS scale? If so, how?

The Administration has expressed its strong support for reforming the government personnel performance management system, a system created by Congress more than 60 year ago. It is critical that this system be fair, transparent, and accountable. We have begun efforts to make the personnel performance management system more rigorous and fair and would look forward to working with Congress to further improve this system.

The Administration does not support a "step freeze" in concurrence with the civilian pay freeze. Unlike the across-the-board increases which the President froze, step increases are a part of our performance rating system. They reflect the increased experience an employee has in their job, are only earned periodically, and require that an employee be rated at least "Fully Successful."

6. President Obama issued executive order 13522 "Creating Labor-Management Forums to Improve Delivery of Government Services." These new forums shall, "advise the President on matters involving labor-management relations in the executive branch," and suggest "developing recommendations for innovative ways to improve delivery of services and products to the public while cutting costs and advancing employee interests."

a. Do you believe greater union involvement in decision making will help lower the cost of government?

I believe that greater collaboration with unions can get more value from our scarce resources by increasing productivity and government effectiveness. When relationships with unions are contentious, each side spends too much time on small parochial problems. Through this EO, the President's goal is to improve labor-management relationships to engage all employees, which will both improve the quality of government itself and the services we deliver to the American people.

b. What course of action would you advise the president to take when union interests lead to increased spending?

Obviously, spending wisely is a top priority for the Administration whether this involves a union issue or any other matter. In the Federal Government unions rarely have the right to bargain over budget issues such as pay, benefits, or agency budget, so their influence is generally restricted to conditions of employment. That said, strategic engagement with Federal employee unions can be a mechanism for increased government effectiveness and efficiency.

Budget Process

7. In your nomination documents you reference working “hard to improve efficiency and effectiveness of government; to make critical programs respond better to the needs and priorities of ordinary Americans.” Can you please give examples?

As Deputy Director of the Domestic Policy Council, I have worked hard to make sure government responds to the critical needs of Americans by using evidence-based and sound performance management practices to deliver on the priorities that matter most. Rather than reinventing the wheel, we look for effective practices and promote them for broader adoption. We also search for lower cost ways to accomplish our objectives. And when we are not satisfied that we know the most effective ways to tackle a problem, we are using highly competitive grant programs and contests to invite our inter-governmental and private sector delivery partners to test new practices and measure if they work.

Our work in education is just one example of that. Race to the Top is challenging states to find innovative ways to improve teacher quality and student achievement. For less than 1 percent of what the Nation spends on education each year, it has led over 40 states to raise their teaching and learning standards.

I also worked in partnership with the states to reduce smoking rates and improve the Nation’s health. One strategy to address this problem is taking the successful tobacco use reduction practices developed at the local level and promoting their adoption across the country. For example, under the *Communities Putting Prevention to Work* program, community recipients choose from a menu of evidence-based and promising strategies to complete within 24 months.

Similarly, more than 300 schools have signed on to the Department of Agriculture’s Healthier US Schools Challenge—an important component of the First Lady’s Let’s Move! initiative to raise a healthier generation of kids. These schools agree to meet criteria for better food quality, physical activity, physical education, and nutrition education – criteria developed by a hard look at the best science and evidence about effective practices.

Agencies are also finding more efficient ways to deliver services to our citizens. For example, the Social Security Administration aims to have 44% of total retirement claims filled online in FY 2011. Online benefit applications provide the public with the ability to conduct business at their convenience and at their own pace, without the need to visit a field office or meet with an agency representative. Because reviews of online applications usually take less time than in-person interviews, employees have more time to assist the public and work on complicated claims. This is only one of example of how the government is improving customer service while stretching taxpayer dollars to do more.

8. In your nomination documents you indicate that you have technical budget expertise and describe your involvement in the budget process for various positions. Provide in detail your specific involvement in the budgeting process for each position you have held. For instance, in Senator Kerry's office, were you the primary budget staffer or did you review work produced by other staff?

As a Legislative Assistant, I was responsible for developing and managing Senator Kerry's domestic policy agenda, including education, health care, immigration, labor and women's issues. When I became Deputy Legislative Director, I retained my domestic policy portfolio and served as the deputy to the Legislative Director in the management of Senator Kerry's legislative staff and policy agenda. In both roles, I was responsible for all budget and appropriations duties for the issues within my portfolio.

As Legislative Director, I advised Senator Kerry, a member of the Finance, Foreign Relations, Commerce and Small Business Committees, on all policy areas, and I managed his legislative agenda and staff. In this role, I was responsible for managing the Senator's legislative agenda across all issue areas, including budget and appropriations.

As Deputy Policy Director and Policy Director on two presidential campaigns throughout the primary and general elections, I was responsible for developing the candidate's entire policy agenda, including health care, energy, economic policy, education reform and national security. My responsibilities included developing policy within budgetary constraints, calculating the costs of policy proposals, and determining how proposals would be paid for.

As Deputy Director of the Domestic Policy Council at the White House, I have worked closely with colleagues at OMB in developing the President's first three budgets, including setting funding levels, evaluating program performance, and recommending reductions and terminations of ineffective programs. In addition, I have been closely engaged with OMB and White House officials in the appropriations process.

Finally, one of the key characteristics of an effective budget policy expert is the ability to work on a vast array of programmatic, policy and funding issues, stretching from economic policy to national security to domestic policy. I have extensive professional

experience working across the spectrum in all areas of policy, experience that will be critical to my role as Deputy Director, if confirmed.

Background Information

9. In your role with the American Security Project, describe in detail any policy positions you developed for the Project or any positions the Project established on terrorism, energy, climate security, nuclear proliferation and government reform?

I did not develop any policy positions for the American Security Project. My role with the organization was to establish the organization, assemble its Board of Directors, assist with fundraising, manage its finances, and draft the mission and plan for the organization. Once the organization had been established and capitalized, I left American Security Project to re-join Senator John Kerry's office as Legislative Director.

10. Your background is in education and public policy. Outside of your legislative and political experience, have you acquired any budget training, including classes or continuing education?

I have not taken any formal continuing education classes on the budget.

11. In supplementing the speeches you have submitted to the Committee, please provide a copies of any formal (prepared) speeches you have made during the last 5 years, even if they are unrelated to the position for which you have been nominated.

The list of speeches submitted to the Committee included all copies of formal speeches I have made during the last 5 years, regardless of topic.

12. You have indicated that one of your core missions is to make poor people less poor. Is this a goal you hope to achieve at OMB and if so, explain in detail how you plan to accomplish this goal?

When the President took office, the economy was in a freefall, with the economy losing an average of 783,000 private sector jobs per month. In the last year, we have seen some encouraging signs that the trajectory has changed and that a recovery is beginning to take hold. An economy that had been shrinking for nearly a year is now growing again, and after nearly two years of job losses, more than one million private sector jobs were added to the economy in 2010.

From the Recovery Act to the December tax deal, the President's tough choices over the past two years – which relied heavily on OMB's analysis and counsel – have helped to save the economy from a second Great Depression. But we are keenly aware that the recovery is not happening fast enough for the millions of Americans who are still looking for jobs. This is especially true for the Nation's poor – the poverty rate is generally one of the last indicators to recover from a recession.

That is why our immediate task is to accelerate economic growth and job creation to get our fellow Americans back to work. OMB plays a central role in targeting investments to promote America's growth and competitiveness – investments outlined in the FY 2012 Budget. Many of the Budget's proposals directly benefit low-income families, including high-quality early childhood programs, a strategic plan to end homelessness a proposal to strengthen unemployment insurance, and an extension of tax credits like the American Opportunity Tax Credit and the expanded Earned Income Tax Credit.

Beyond these overall funding decisions, OMB also plays a critical role in ensuring that our investments in low-income programs are well targeted. For example, the Administration proposes creating a competitive fund to encourage States to take dramatic steps to improve the quality of their early childhood development programs. The Budget also provides funding for a competitive Workforce Innovation Fund that will allow States and localities to create and test new ideas and strategies for delivering better employment and education results.

It is across all of these policy areas – from economic policy to funding decisions, from program development to evaluation – that I believe that OMB can have a positive impact expanding opportunity for all Americans.

Ranking Member Sessions' Questions for the Record
to
Heather A. Higginbottom of the District of Columbia,
To be Deputy Director of the Office of Management and Budget
03/17/2011

1. In your confirmation hearing before the Senate Homeland Security and Governmental Affairs Committee (HSGAC), you engaged in an exchange with Senator Collins about whether the President's Budget proposal ever reached primary balance. The conclusion you reached was that it does in 2017. Of course, primary balance is somewhat of a misleading term or budget slang. When people think about balance, they think about spending what you earn. When you talk about primary balance, the government is still spending more than it earns, so let's talk about balance the way the American people understand it.

At any point, in actual dollars, does the President's budget proposal actually balance?

As you note, the President's Budget will reach primary balance in 2017. At that point, the government will be in a position to pay for all program spending, although interest payments on the debt will continue to be deficit financed. The President has been clear that while this would be a significant achievement since our program spending will no longer be adding to our deficit, it is a milestone and not an end goal. Reaching this point, then, lays the foundation for the President and Congress to work together on a bipartisan basis to address our nation's long-term fiscal challenges.

2. Some of my Democratic colleagues, during your confirmation hearing before the Budget Committee, indicated that when some of us questioned your experience, that we were using "experience" as a code word for age. The experience I am concerned about is actual budget experience. You admitted to Senator Scott Brown during your confirmation Hearing before HSGAC, when he asked you directly whether you had any accounting or budgetary experience aside from dealing in policy matters, that you were not an accountant. In a prehearing question, I asked you the following:

"Your background is in education and public policy. Outside of your legislative and political experience, have you acquired and budget training, including classes or continuing education."

You responded in this way:

"I have not taken any formal continuing education classes on the budget."

Have these facts changed?

Since the HSGAC hearing and for the past two years I have worked in the White House as a senior policy advisor to the President and have not taken any additional coursework on the budget or any other topic.

For over a decade, I have worked at the highest levels of policymaking in the United States Senate and the White House. This work has included, but was not limited to, the budgetary implications of those policies.

This experience is a critical piece of why President Obama and OMB Director Jack Lew – who previously held the position for which I have been nominated – selected me for this role. And it is also why previous presidents have nominated individuals to this position with background and experience similar to mine.

3. In your written remarks before the Budget Committee, you state that "we have only recently turned the tide on the worst economic downturn in a generation" and that "the policies employed to rescue the economy necessarily added to the deficit in the short-term." I assume that when you say the policies employed, you are referring to, at least in part, the Stimulus Act or the American Recovery and Reinvestment Act.

Under the Stimulus Act, Penn State University received a \$1.57 million stimulus grant from the National Science Foundation to search for fossilized plants in Patagonia, Argentina. Was this a necessary expenditure to rescue the American economy?

Under the Stimulus Act, ten organizations received \$400,000 in grants from the National Endowment for the Arts (NEA) in support of jazz clubs and festivals. Was this a necessary expenditure to rescue the American economy?

Under the stimulus Act, eleven students and four teachers from the University of Alaska were sent to the United Nations Convention on Climate Change in Copenhagen, Denmark using a nearly \$50,000 stimulus grant. Was this a necessary expenditure to rescue the American economy?

The Administration took a number of unprecedented, immediate steps to help curtail the economic downturn and avert a second Great Depression. The Recovery Act was at the heart of this effort, and I believe the evidence is clear that it has been successful.

The Recovery Act was purposefully designed to create jobs and spur economic activity across a variety of industries. Whether these jobs are for educators, construction workers, researchers, civil servants, or others, in my judgment they have all been critical to driving economic growth and recovery in the two years since the passage of the Recovery Act. This is borne out by the fact that the non-partisan Congressional Budget Office has found that the Recovery Act has raised real GDP by as much as 3.5 percent and employment by up to 3.5 million jobs. Similarly, the latest report on the impact of the Recovery Act from the Council of Economic Advisors, released just last week, finds that it has created or saved as many as 3.6 million jobs, and that private payroll employment has increased by 1.1 million just during 2010. In addition to these immediate-term benefits, I am confident that the programs and projects put in place by the Recovery Act will drive job growth in the long term by supporting new industries and investments whose impact will be felt for years to come.

Fortunately, Recovery Act spending has been extraordinarily transparent, enabling the public to assess the job impacts of the various programs funded. Overall, the data demonstrate that the Recovery Act has delivered as promised by creating and saving millions of jobs across the country, and has been an essential factor in rescuing the American economy.

4. In your written remarks before the Budget Committee, you discuss how resources have to be managed "in a way that gets the most from every taxpayer dollar, cuts waste, boosts efficiency and effectiveness, and gives all Americans the means to see how their money is being spent and to hold their government accountable for its actions." You cited in your Homeland Security and Governmental Affairs hearing, as an example of doing this, when questioned about recent GAO Duplication Report, the Administration's action in education, consolidating 38 programs down to 11. The Administration's consolidation, one would presume, removes spending on wasteful, duplicative or ineffective programs. However, this proposal would actually increase funding by close to \$900 million. Is the goal of consolidation to increase or decrease spending?

The education consolidations in the President's Budget request are intended to invest in high-quality education by making better, more productive use of existing resources and increasing resources where they are likely to have the greatest impact. At the same time, the education budget also reflects tough choices. For example, the Budget proposes to eliminate 13 programs Department-wide, and the increase for Elementary and Secondary Education Act (ESEA) programs is approximately half the size of last year's. To improve the effectiveness of current education spending, the Budget would replace 38 existing, sometimes narrowly-targeted ESEA programs that may focus on specific subjects or age groups with 11 broader programs that provide more flexibility for States and school districts to target resources on areas of the greatest need. This restructured approach would make the Federal role less cumbersome, enabling the Department of Education to focus more on supporting State and local reform efforts and less on compliance for the requirements of numerous separate programs. This heightened emphasis on student outcomes has the potential to dramatically improve education efficiency across the Nation, maximizing the impact of our investments in the future of America's children.

5. In a recent hearing before the House Energy and Commerce Committee, the Secretary of Health and Human Services Kathleen Sebelius was asked whether the Medicare savings in the new health care law are being used to save Medicare or to fund health care reform. Secretary Sebelius' response was "Both." I wrote CBO Director Doug Elmendorf prior to the passage of the healthcare bill. He told me that it would be double counting to claim that Medicare trust fund money, without being replenished, could be spent on other programs in the healthcare bill. Do you believe that Mr. Elmendorf's analysis is incorrect?

The Affordable Care Act will both improve the overall financial position of the Federal Government and extend the life of the Medicare Hospital Insurance trust fund. These are distinct accomplishments, which are accounted for through different mechanisms. Both accomplishments help enable the Federal Government to honor its commitment to Medicare beneficiaries now and in the future.

CBO estimated that the Affordable Care Act will reduce the budget deficit by more than \$200 billion in the next 10 years and by around one-half percent of gross domestic product (more than \$1 trillion) in the decade after that. The health reform legislation will also extend the life of the HI trust fund by 12 years, as estimated in the Medicare Trustees Report, since Medicare HI savings, as a matter of trust fund accounting, are credited toward the trust fund. These are each worthy—though distinct—ends. Reducing the deficit improves the financial position of the Federal Government overall, while extending the life of the HI trust fund helps ensure that Medicare continues to be a source of security for America's senior citizens. This has been the standard method of accounting used in budgeting and in assessing the HI Trust fund for decades.

6. In one pre-hearing question, you were asked:

"For the past several decades, policymakers have espoused the need to deal with the debt and deficits in the long-term, but cite issues of the time as a reason to run short-term deficits. However, in practice, the short-term deficit spending justifications have adjusted to the times, as the long-term problem got worse. Put simply, the problem keeps getting pushed down the road. Do you believe there is a point at which eliminating the deficit and beginning to pay down the debt outweighs any other short-term condition or need? How far away are we from that point?"

Your response, in fact, did exactly what the question talked about, citing current conditions as a reason for deficit spending and said the President intends to deal with the deficits and the debt in the long term. That simply didn't answer the question.

- a. Do you believe there is a point at which eliminating the deficit and paying down the debt outweighs any other short-term condition or need?**
- b. How far away are we from that point?**

While there are multiple reasons for addressing our nation's growing debt, one key reason is to ensure that the Federal Government has the ability to respond to short-term conditions or needs that we cannot anticipate—from financial crises to natural disasters to military operations. An overextended nation has significantly less flexibility to respond to changing conditions than one already on a healthy and fiscally sustainable path.

The question implies that deficit reduction and response to short-term conditions and needs are mutually exclusive, and I disagree with this notion. We are far more adept at responding to short-term needs than gradual long-term problems; if policies had to be sequenced, long-term problems would consistently receive short shrift. Instead, the President believes that we can address short-term issues while maintaining policies to address our long-term challenges. This is what the FY 2012 Budget proposes to accomplish. The Budget proposes more than \$1 trillion of deficit reduction over the next decade, and stops the debt from growing as a share of the economy early in the budget window. It accomplishes this with a set of specific policy proposals that both take into consideration short-term needs and complement our long-term strategy for promoting economic growth.

The FY 2012 Budget is a first step towards tackling our fiscal challenges—but even though it proposes more than a \$1 trillion in deficit reduction, much remains to be done. As the President has stated, we must work together on a bipartisan basis to put the country on a sustainable fiscal path. We face historic deficits driven by a legacy of unpaid-for policies and the worst economic downturn in generations. The economy has begun to recover but is not yet back to full strength. As the FY 2012 Budget outlines, we can simultaneously invest in our nation's long-term growth and competitiveness and address the nation's fiscal challenges.

7. In your answers to pre-hearing questions you stated that the current "step system" for federal employees is over 60 year old, and it is performance based because to increase in step an employee must be rated at least "fully successful."

a. Can you please tell us the different ratings an employee can receive, and how many ratings are higher than "fully successful"?

Agencies have flexibility to choose from eight different rating patterns. The patterns range from two levels (unacceptable and fully successful) to five levels (unacceptable, minimally successful, fully successful, exceeds fully successful, outstanding) and all the permutations in between. Agencies may not use more than five summary rating levels. There are two levels above fully successful--exceeds fully successful and outstanding.

b. Can you please tell us what percentage of the federal workforce received a rating of less than "fully successful" in their last review cycle?

For ratings reported by December 2010, for the most recently completed appraisal period for all agencies that report rating data to the OPM, 0.1% were rated Unacceptable and 0.4% were rated Minimally Successful.

c. Are employees able to appeal a rating lower than "fully successful"?

No, since the enactment of the Civil Service Reform Act of 1978, employees cannot appeal a rating of record. However, they can appeal an adverse action taken based on a rating of record.

d. Are employees (who are not promoted to a higher grade) able to get step increases outside regular review periods?

No, in the General Schedule all step increases, both within-grade and quality step, are based on the regular appraisal and rating periods.

8. In your prehearing responses, you state: "I have worked closely with colleagues at OMB in developing the President's first three budgets, including setting funding levels, evaluating program performance, and recommending reductions and terminations of ineffective programs." Were there any program cuts or recommendations you made that were not implemented and will you provide the Committee with a copy of your evaluations and recommendations?

The preparation of the President's past three budgets was shaped by consideration of a wide range of views about appropriate levels of funding and evaluation of program performance. It would be inconsistent with the need to encourage candid, pre-decisional discussions for me to disclose confidential deliberations among the President's advisors concerning the formulation of the President's budgets.

Regarding spending cuts, the President's FY 2012 Budget proposes to eliminate wasteful spending and makes tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. This includes a proposed a five-year annual domestic spending freeze that will reduce the deficit by over \$400 billion over the next decade and bring this spending to the lowest level since the Eisenhower Administration. As part of that freeze, the FY 2012 Budget includes more than 200 terminations, reductions, and savings totaling more than \$33 billion in savings for this year alone. It includes more than \$1 trillion in deficit reduction, and puts the nation on a path toward fiscal sustainability. If confirmed, I look forward to working with Congress to ensure that these proposed cuts go into effect.

9. GAO recently released a report entitled "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue." I doubt, given the confirmation process, you have had an opportunity to review it extensively. If you're confirmed, will you conduct such a review and provide the Committee with your recommendations on which GAO suggestions should be implemented immediately?

OMB is looking at the GAO report carefully to find every opportunity to make government work more effectively and efficiently, and I look forward to reviewing it carefully myself. The President has made it a priority of this Administration to change the way Washington works, save taxpayer dollars, streamline operations and improve government services. This commitment is reflected throughout his FY 2012 Budget, which includes over 200 terminations, reductions and savings measures – saving Americans more than \$33 billion in 2012 alone—much of that from targeting programs that are duplicative, outdated or simply ineffective. As part of this work, the President announced in his State of the Union address that the Administration is taking a hard look at how we can better organize Federal programs and functions to eliminate duplication, maximize resources and boost the Nation's long-term competitiveness.

It is my understanding that in general, OMB agrees with GAO's recommendations and findings. In most cases the recommendations are very much aligned with, and often acknowledge, Administration efforts already underway. In almost every area GAO discussed, the Administration has taken significant action—in many cases submitting proposals to Congress to address the problems.

Examples of areas where the Administration has taken action include creation of the Food Safety Working Group in 2009, launch of a major data center consolidation initiative that will eliminate at least 800 data centers by 2015, and a surface transportation proposal which would consolidate 55 duplicative, often-earmarked highway programs into five streamlined programs. The President's FY 2012 Budget also proposes consolidations and eliminating duplication in areas that go beyond the GAO report.

10. You state in your prehearing responses that you "support the approach taken in the President's FY 2012 Budget which begins the challenging but essential process of adjusting spending to achieve fiscal sustainability immediately with a five-year freeze of non-security spending."

a. What years do the freeze occur?

The freeze occurs from 2011-2015 with the non-security total remaining at or below the base 2010 level for all years, and growing with current services after 2015.

b. Is the freeze you describe a hard freeze or a nominal freeze?

This is a nominal freeze with the non-security total remaining at or below the base 2010 level for all years, and growing with current services after 2015.

c. At any point during the freeze does the level of spending for any program increase? If so, please identify the programs and the amount of the increase.

The Administration has provided a detailed request for 2012 that contains trade-offs allowing for certain programs to be funded as necessary (e.g., Pell Grants) while restraining or cutting lower priority programs, as identified in the accompanying Terminations and Reductions volume. This freeze is not a haphazard, across-the-board cut, but an approach in which areas critical for growth and job creation are increased while other programs are cut back. Appropriations are done on a year-by-year basis so it is not possible to say what programs will increase or decrease over the 2013-2015 period. Those detailed decisions will be made on a case-by-case basis during the budget development for each year. The Administration is committed to following the same thoughtful and balanced approach to fund all those programs within the freeze level for all years so that spending is responsibly restrained while critical investments are maintained.

**EXECUTIVE BUSINESS MEETING ON THE
NOMINATION OF HEATHER A.
HIGGINBOTTOM TO BE DEPUTY DIRECTOR,
OFFICE OF MANAGEMENT AND BUDGET**

TUESDAY, APRIL 5, 2011

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to notice, at 12:33 p.m., in Room S-216, The Capitol, Hon. Kent Conrad, Chairman of the Committee, presiding.

Present: Senators Conrad, Murray, Wyden, Nelson, Stabenow, Cardin, Whitehouse, Warner, Merkley, Begich, Coons, Sessions, Enzi, Cornyn, Portman, Toomey, and Johnson. Staff present: Mary Ann Naylor, Majority Staff Director; and Marcus Peacock, Minority Staff Director.

Also present: Dylan Morris, clerk.

Chairman CONRAD. If I could have everybody's attention.

The meeting will come to order. We are meeting to vote on the nomination of Heather Higginbottom to be the next Deputy Director of the Office of Management and Budget.

We will withhold statements for now. Anybody that wants to submit a statement may do it for the record.

Senator WHITEHOUSE. What, no statements?

Chairman CONRAD. Yes, there are statements but they will be offered in writing.

Unless Senator Sessions has anything to add, we can move directly to a vote.

Senator SESSIONS. So we will have time throughout the day to offer—

Chairman CONRAD. Yes, sir.

Senator SESSIONS. Well, I am comfortable with that circumstance. I got to express myself at the committee and will be voting no.

In light of cooperating and getting this matter done, I will submit a written statement.

Chairman CONRAD. I appreciate it.

Senator SESSIONS. Maybe some of the other committee members would want to speak. I think they should be allowed to say a few words here before we vote.

Chairman CONRAD. Let me just say that everybody will have a chance to submit it in writing. I think we know that people have made up their minds. So why don't we go to a vote.

The question now before the Committee is the nomination of Heather Higginbottom to be Deputy Director of the Office of Management and Budget. A quorum being present, I now move the Committee report this nomination to the Senate with a recommendation the nominee be confirmed.

Is there a second?

Senator CARDIN. Second.
 Chairman CONRAD. A second is heard.
 Senator SESSIONS. Can we have a roll call?
 Chairman CONRAD. Yes. The clerk will call the roll.
 The Clerk. Mrs. Murray?
 Senator MURRAY. Aye.
 The Clerk. Mr. Wyden?
 Senator WYDEN. Aye.
 The Clerk. Mr. Nelson?
 Senator NELSON. Aye.
 The Clerk. Ms. Stabenow?
 Senator STABENOW. Aye.
 The Clerk. Mr. Cardin?
 Senator CARDIN. Aye.
 The Clerk. Mr. Sanders?
 [No response.]
 The Clerk. Mr. Whitehouse?
 Senator WHITEHOUSE. Aye.
 The Clerk. Mr. Warner?
 Senator WARNER. Aye.
 The Clerk. Mr. Merkley?
 Senator MERKLEY. Aye.
 The Clerk. Mr. Begich?
 Senator BEGICH. Aye.
 The Clerk. Mr. Coons?
 Senator COONS. Aye.
 The Clerk. Mr. Sessions?
 Senator SESSIONS. No.
 The Clerk. Mr. Grassley?
 Senator SESSIONS. No, by proxy.
 The Clerk. Mr. Enzi?
 Senator ENZI. No.
 The Clerk. Mr. Crapo?
 Senator SESSIONS. No, by proxy.
 The Clerk. Mr. Ensign?
 Senator SESSIONS. No, by proxy.
 The Clerk. Mr. Cornyn?
 Senator CORNYN. No.
 The Clerk. Mr. Graham?
 Senator SESSIONS. No, by proxy.
 The Clerk. Mr. Thune?
 Senator SESSIONS. No, by proxy.
 The Clerk. Mr. Portman?
 Senator PORTMAN. Pass.
 The Clerk. Mr. Toomey?
 Senator TOOMEY. No.
 The Clerk. Mr. Johnson?
 Senator JOHNSON. No.
 The Clerk. Mr. Chairman?
 Chairman CONRAD. Aye.
 Do we have Senator Sanders' proxy?
 Senator SESSIONS. We have proxies on this side.

Chairman CONRAD. Well, can we hold open the vote until Senator Sanders has a chance, under the rules?

Ms. NAYLOR. Yes.

Chairman CONRAD. For how long?

Ms. NAYLOR. I think we have held it open for 10 or 15 minutes in the past.

Chairman CONRAD. I think we should ask if that's acceptable.

Senator SESSIONS. Well—

Chairman CONRAD. What is the rule?

Mr. GAETA. It is Chairman's discretion.

Ms. NAYLOR. You can report it out if you want, or you can hold it.

Chairman CONRAD. Senator Portman, will you cast a vote?

Senator PORTMAN. I am going to abstain.

Chairman CONRAD. All right. I think we should—we can go ahead and report it as is, we will just do that. We will not wait for Senator Sanders. I mean, everybody was advised. So we can report it out as 11–10.

With that, I want to thank everyone. I know this was disruptive to schedules and there is so much else going on.

I very much appreciate everybody coming here to cast a vote.

With that, we will report the nomination.

[Whereupon, at 12:37 p.m., the Committee was adjourned.]

